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## Independent Auditors' Report

The Honorable Mayor and City Council  
City of Boston, Massachusetts:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts, as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Boston's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities, which represent 3% and 11% of the assets and revenues, respectively, of the aggregate remaining fund information and 29% and 22% of the assets and revenues, respectively, of the discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the aggregate remaining fund information and the discretely presented component units and their effects on the governmental and fiduciary activities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 3, the City, in fiscal 2002, has implemented Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus*, and No. 38, *Certain Financial*



*Statement Note Disclosures, and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Boston's basic financial statements. The combining financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Boston. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis on pages 3 through 12 and the schedules of funding progress and employers' contributions on page 55 are not required parts of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated November 22, 2002 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The information included in the introductory and statistical sections of this report has not been subjected to auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

November 22, 2002

## CITY OF BOSTON, MASSACHUSETTS

### Required Supplementary Information

#### Management's Discussion and Analysis

The City of Boston provides this Management's Discussion and Analysis to provide additional information to the readers of the City's Basic Financial Statements. This narrative overview and analysis of the financial activities of the City of Boston is for the fiscal year ended June 30, 2002. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the City's Comprehensive Annual Financial Report (CAFR).

Because the City of Boston is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Boston's financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information regarding historical pension information. These components are described below:

#### Basic Financial Statements

The financial statements include two types of financial statements that present different views of the City – the *Government-Wide Financial Statements* and the *Fund Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

#### Government-Wide Financial Statements

The *government-wide financial statements* provide a broad view of the City's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *statement of net assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

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## CITY OF BOSTON, MASSACHUSETTS

### Required Supplementary Information

#### Management's Discussion and Analysis

Both of the above financial statements have separate sections for the three different types of city programs or activities. These three types of activities are:

*Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most services normally associated with city government fall into this category, including general government, human services, public safety, public works, property and development, parks and recreation, library, schools, county, public health programs, judgment and claims, retirement costs, state and district assessments, debt service, and other employee benefits.

*Business-Type Activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the City include the operations of the City of Boston Convention Center Bond Fund and the Hospital Bond Fund.

*Discretely Presented Component Units* – These are operations for which the City has financial accountability but they have certain independent qualities as well. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above.

The City's four discretely presented major component units are:

- Boston Public Health Commission
- Boston Redevelopment Authority
- Economic Development Industrial Corporation
- Trustees of the Boston Public Library

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Additional information about the City's component units are presented in the notes to the financial statements.

The government-wide financial statements can be found immediately following this discussion and analysis.

#### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The *fund financial statements* focus on individual parts of the city government, reporting the City's operations in more detail than the government-wide statements. All of the funds of the City can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

*1. Governmental Fund Financial Statements* – Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This

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## CITY OF BOSTON, MASSACHUSETTS

### Required Supplementary Information

#### Management's Discussion and Analysis

approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the City's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City has four governmental funds. Each fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's three major governmental funds are – the General Fund, the Special Revenue Fund, and the Capital Projects Fund. All non-major governmental funds are combined in the "Other Governmental Funds" columns on these statements. The governmental funds financial statements can be found immediately following the government-wide statements.

Of the City's four governmental funds, the General Fund is the only fund for which a budget is legally adopted. The ***Budgetary Statement or Statement of Revenues and Expenditures – Budgetary Basis*** is presented on page 19. This Statement provides a comparison of the original and final budget and the actual expenditures for the current and prior year.

In accordance with state law and regulations, the City's legally adopted general fund budget is prepared on a "budgetary" basis instead of generally accepted accounting principles (GAAP). Among the key differences between these two sets of accounting principles are that "budgetary" records property tax as it is levied, while GAAP records it as it becomes susceptible to accrual, "budgetary" records certain activities and transactions in the general fund that GAAP records in separate funds, and "budgetary" records as an expenditure any amount raised to cover for a prior year deficit, and as a revenue any available funds raised from prior year surpluses, while GAAP ignores these impacts from prior years. The difference in accounting principles inevitably leads to varying results in excess or deficiency of revenues over expenditures. Additional information and a reconciliation of "budgetary" to GAAP statements is provided in Note 4 of the financial statements.

**2. Proprietary Funds Financial Statements** – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements.

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## **CITY OF BOSTON, MASSACHUSETTS**

### **Required Supplementary Information Management's Discussion and Analysis**

**3. Fiduciary Funds Financial Statements** – These funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The City's fiduciary funds are the Employee Retirement Funds (the State-Boston Retirement System), which accounts for the transactions, assets, liabilities, and net assets of the City employees' pension plan, and the Private Purpose Trust Funds which includes money held and administered by the City on behalf of third parties.

The fiduciary funds financial statements can be found immediately following the proprietary fund financial statements.

#### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the fiduciary funds' financial statements.

#### ***Required Supplementary Information***

The basic financial statements are followed by a section of required supplementary information, which includes a schedule of funding progress and a schedule of employer contributions for the State-Boston Retirement System.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This analysis is based on the statement of net assets and statement of activities found on pages 13 and 14 of the financial statements.

#### **Government-Wide Highlights:**

*Net Assets* – The total net assets of the City exceeded its liabilities at fiscal year ending June 30, 2002 by \$197.2 million (presented as "net assets"). Of this amount, \$22.9 million was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

*Changes in Net Assets* – The City's total net assets increased by \$179.5 million in fiscal year 2002. Net assets of governmental activities increased by \$147.1 million, while net assets of the business-type activities showed an increase of \$32.4 million.

#### **Net Assets**

The components of net assets are comprised of the following: the investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is a deficit of \$92.7 million indicating that the amount of capital debt outstanding exceeds the net book value of the City's fixed assets. The deficit in "Invested in capital assets, net of related debt" results, in part from the capitalization threshold established by the City whereby capital assets of less than \$15,000 in cost are not capitalized for financial statement purposes, from the refunding of capital debt which results in monetary savings to the City, but often extends the life of the debt beyond the

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# CITY OF BOSTON, MASSACHUSETTS

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### Management's Discussion and Analysis

depreciable lives of the related capital assets and from other non-capitalized financing costs related to the debt. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Boston's Net Assets-Primary Government (expressed in thousands)

	Governmental activities	Business-type activities	Total
Current assets	\$ 905,639	68,079	973,718
Capital assets	781,942	—	781,942
Other assets	2,102	1,555	3,657
Due from others	19,250	129,103	148,353
Total assets	1,708,933	198,737	1,907,670
Noncurrent liabilities	1,014,892	251,150	1,266,042
Other liabilities	437,311	7,104	444,415
Total liabilities	1,452,203	258,254	1,710,457
Invested in capital assets net of related debt	(92,711)	—	(92,711)
Restricted	266,999	—	266,999
Unrestricted	82,442	(59,517)	22,925
Total net assets	\$ 256,730	(59,517)	197,213

At the end of the current fiscal year, the City is reporting a positive balance for the government as a whole. The negative balance reported for Business-Type activities is offset by the positive balance reported for Government Activities. The negative balance in Business-Type Activities is a result of special obligation and revenue bonds outstanding at year-end. These costs are intended to be covered by user fees and charges to external users of goods and services.

### Changes in Net Assets

The City's governmental activities net assets increased by \$147.1 million from the prior year. The City's two largest sources of revenues were property and excise taxes of \$1.08 billion and \$844.7 million operating and capital grants from the federal and state governments. Approximately 50.4% of the City's total revenue came from taxes, while 12.3 % resulted from grants and contributions (including federal aid). Charges for various goods and services, interest and other miscellaneous revenues totaled \$237.2 million. The City's expenses cover a range of services. The largest expenses were for schools (\$768.4 million), public safety (\$429.2 million), property and development (\$112.8 million), county (\$109.3 million), employee benefits (\$101.1) million and retirement costs (\$82.0 million). In 2002, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants and capital grants) by \$1.31 billion. This shortfall was covered primarily through taxes (\$1.10 billion) and non-specific grants of (\$272.2 million).

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# CITY OF BOSTON, MASSACHUSETTS

## Required Supplementary Information

### Management's Discussion and Analysis

Net revenues from business-type activities exceeded expenses by \$32.4 million due primarily to the receipt of grant funds exceeding the City's contributions to the State for the construction of a convention center.

#### City of Boston Changes in Net Asset-Primary Government (expressed in thousands)

	Governmental activities	Business-type activities	Total
Expenditures:			
General Government	\$ (59,084)	—	(59,084)
Human Services	(863)	—	(863)
Public Safety	(309,260)	—	(309,260)
Public Works	(58,962)	—	(58,962)
Property and Development	(37,623)	—	(37,623)
Parks and Recreation	(18,230)	—	(18,230)
Library	(32,982)	—	(32,982)
Schools	(423,765)	—	(423,765)
County	(13,397)	—	(13,397)
Public Health Programs	(64,537)	—	(64,537)
Judgments and Claims	(2,724)	—	(2,724)
Retirement Costs	(79,837)	—	(79,837)
Other Employee Benefits	(101,059)	—	(101,059)
State & District Assessments	(67,769)	—	(67,769)
Interest on long-term debt	(38,514)	—	(38,514)
Convention Center	—	19,660	19,660
Hospital	—	(8,232)	(8,232)
Total expenditures	(1,308,606)	11,428	(1,297,178)
General Revenues:			
Taxes:			
Property taxes, levied for general purposes	967,762	—	967,762
Excises	109,503	5,079	114,582
Payment in lieu of taxes	36,332	—	36,332
Grants and contributions not restricted	272,150	—	272,150
Investment income	23,097	8,594	31,691
Miscellaneous	33,568	7,303	40,871
Special Item - gain on sale of capital assets	13,300	—	13,300
Total revenues	1,455,712	20,976	1,476,688
Change in net assets	147,106	32,404	179,510
Net assets – beginning	109,624	(91,921)	17,703
Net assets – ending	\$ 256,730	(59,517)	197,213

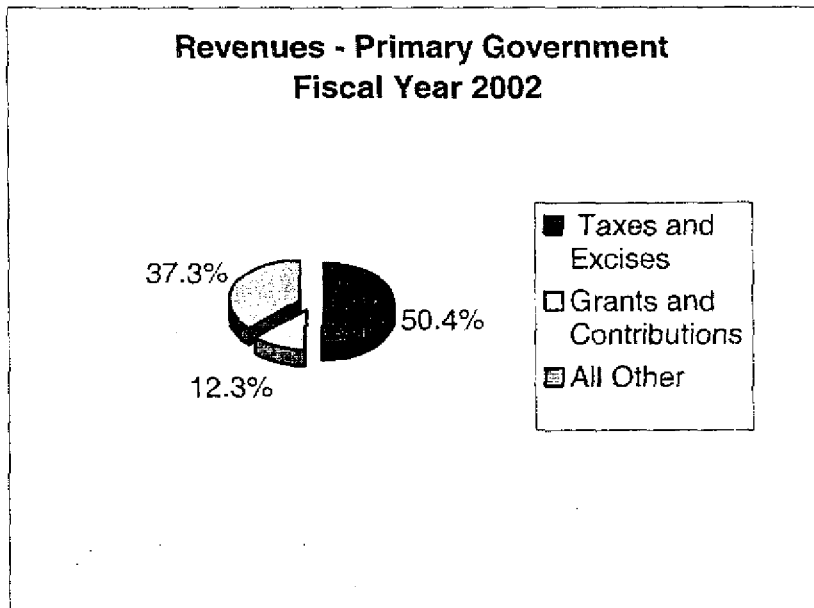
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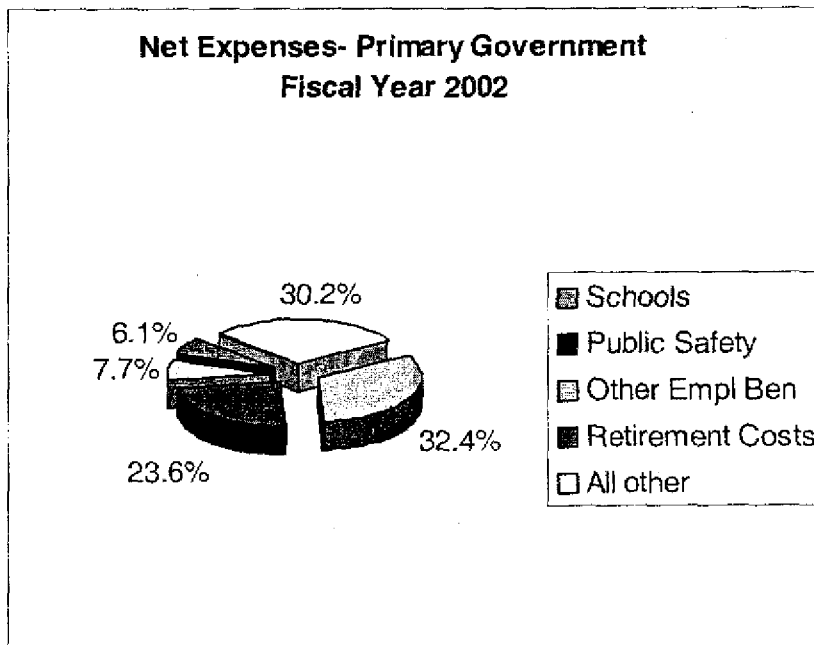
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Management's Discussion and Analysis

**Revenues - Primary Government  
Fiscal Year 2002**



**Net Expenses - Primary Government  
Fiscal Year 2002**



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## CITY OF BOSTON, MASSACHUSETTS

### Required Supplementary Information Management's Discussion and Analysis

#### **Business-Type Activities**

The business-type activities increased the City's change in net assets by \$32.4 million. This resulted from a \$19.6 million increase in grants for the Convention Center and \$21.0 million in excises, investment income and miscellaneous revenue offset by \$8.2 million interest expense for the Hospital revenue bonds.

#### **FINANCIAL ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS**

This analysis is based on the Fund Financial Statements on pages 15 through 25.

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **Fund Highlights:**

*Governmental Funds – Fund Balances* – As of the close of fiscal year 2002, the City's governmental funds reported a combined ending fund balance of \$641.2 million, an increase of \$135.9 million from the prior year. Of this total amount, \$329.2 million represents the "unreserved and undesignated fund balances" with \$345.8 million of this amount being in the general fund.

#### **Governmental Funds**

*General Fund – Fund Balance* – The general fund is the chief operating fund of the City. The City's General Fund – Fund Balance Policy is to maintain a GAAP undesignated fund balance in the general fund that is 10%, or higher, of GAPP general fund operating expenditures for the fiscal year. The GAAP undesignated fund balance at the end of fiscal year 2002 was \$345.8 million, which represents approximately 20% of GAAP general fund operating expenditures.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's financial position at the end of the fiscal year.

However, because the City is required to follow the statutory basis of accounting rather than GAAP for determining the amount of undesignated fund balance that can be appropriated, it is the statutory (not the GAAP) fund balance that is used to calculate "free cash". Free cash is the amount of statutory fund balance in the general fund, as certified by the Commonwealth of Massachusetts' Department of Revenue, that is available for appropriation and is generated when actual revenues on a cash basis exceeded budgeted amounts and encumbrances are less than appropriations or both.

The City of Boston has established this policy to ensure that the City maintains adequate levels of fund balance to mitigate current and future risks (i.e. revenue shortfalls and unanticipated expenditures). The policy states that the City shall maintain a GAAP undesignated fund balance in the general fund that is 10% or higher than the current fiscal year's GAAP general fund operating expenditures; and that the City shall only consider the certification of free cash (as defined by the Commonwealth of Massachusetts' Department of Revenue) in years where the appropriation of free cash shall not cause the fiscal year's GAAP undesignated fund balance to go below 10% of the fiscal year's GAAP general fund expenditures; and the City shall only consider the appropriation of certified free cash to offset: (1) certain fixed costs such as pension contributions and related post

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## **CITY OF BOSTON, MASSACHUSETTS**

### **Required Supplementary Information**

#### **Management's Discussion and Analysis**

retirement health benefits; and/or (2) to fund extraordinary and non-recurring events as determined and certified by the City Auditor.

The general fund budgetary highlights include ending fiscal year 2002 with a \$5.2 million dollar surplus. This represents the City's 17<sup>th</sup> consecutive year with a balanced budget. Changes to the original budget resulted in a \$5.5 million dollar increase in the overall budget. While \$4.3 million was appropriated to various departments throughout the year to cover the costs of collective bargaining agreements, \$1.2 million was appropriated in Public Safety and the Boston Public Health Commission to support the Youth Fund Summer Jobs Program and to provide additional homeless beds to accommodate the winter overflow in area shelters.

These supplemental appropriations were funded from available sources revenue. During the year, revenues exceeded budgetary estimates, thus eliminating the need to draw on existing fund balance.

*Special Revenue – Fund Balance* – The special revenue fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The fiscal year 2002 special revenue fund balance is reported at \$120.7 million, a \$7.5 million increase over fiscal year 2001.

*Capital Projects Fund – Fund Balance* – The capital projects fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. The fiscal year 2002 capital projects fund fund balance is \$74.7 million. The \$66.9 million increase over fiscal year 2001 is attributable to the timing of borrowing.

*Other Governmental Funds – Fund Balance* – Other governmental funds account for assets held by the City in a trustee capacity or as an agent. The fiscal year 2002 other governmental funds balance is \$43.8 million.

#### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's proprietary funds net assets for fiscal year 2002 are a negative \$59.5 million. As stated in the discussion on the government-wide financial statements, the negative balance in the proprietary funds is a result of the Convention Center special obligation bonds and Hospital revenue bonds outstanding at year-end.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

The City's investment in capital assets for its governmental activities as of June 30, 2002, included \$1.73 billion of cost and accumulated depreciation of \$948.1 million, leaving a net book value of \$781.9 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and have value only to the City, such as roads, bridges, and streets and sidewalks, drainage systems, lighting systems, and similar items.



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### Required Supplementary Information

#### Management's Discussion and Analysis

The total increase in the City's investment in capital assets for the current fiscal year was about 15.8% in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$144.7 million for the year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$37.8 million. Additional information on the City's capital assets can be found in Note 8 of the notes to the basic financial statements.

#### **Long-term Debt**

*Debt Administration* - The authority of the City to incur debt is governed by federal and state laws that restrict the amounts and purposes for which a municipality can incur debt.

*Outstanding Debt* - The City's total governmental long-term debt obligations increased by \$106.9 million, or (9.8%) during the current fiscal year. The key factor in this increase was the issuance of 2002 Series A \$100.0 million General Obligation Bonds and \$62.0 million of Bond Anticipation Notes. General obligation bonds are backed by the full faith and credit of the City, including the City's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the City Council.

The City's governmental long-term bonds and notes increased by \$83.4 million during the current fiscal year, due to the issuance of the 2002 Series A \$100.0 million General Obligation Bonds and \$62.0 million of Bond Anticipation Notes (BAN's). At June 30, 2002, other governmental long-term obligations totaled \$242.5 million.

The long-term debt to be paid by the business type activities decreased \$45.4 million due to the issuance of \$116.9 million of Special Obligation Bonds, the proceeds of which were used to repay a portion of outstanding BAN with a face amount of \$157.8 million.

Additional information on the City's long-term debt obligations can be found in Note 10 of the notes to the basic financial statements.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Boston's finances for all of City of Boston's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Boston, Auditing Department, Boston City Hall, Room M-4, Boston, MA 02201.

**CITY OF BOSTON, MASSACHUSETTS**

Statement of Net Assets

June 30, 2002

(In thousands)

Assets	Primary government			Component units
	Governmental activities	Business-type activities	Total	
Cash and investments	\$ 681,101	702	681,803	134,065
Cash and investments held by trustees	63,542	64,777	128,319	10,597
Receivables, net:				
Property taxes	10,980	—	10,980	—
Intergovernmental	134,516	2,600	137,116	—
Other	15,500	—	15,500	92,436
Other assets	2,102	1,555	3,657	164,633
Capital assets:				
Nondepreciable	415,762	—	415,762	25,006
Depreciable, net	366,180	—	366,180	27,006
Due from other funds	—	—	—	7,069
Due from components units	19,250	129,103	148,353	—
Due from primary government	—	—	—	108
Total assets	<u>1,708,933</u>	<u>198,737</u>	<u>1,907,670</u>	<u>460,920</u>
<b>Liabilities</b>				
Warrants and accounts payable	66,171	269	66,440	97,436
Accrued liabilities - current:				
Compensated absences	54,655	—	54,655	—
Judgment and claims	17,051	—	17,051	—
Other	151,201	—	151,201	3,021
Current portion of long-term debt	121,395	6,835	128,230	859
Due to other funds	—	—	—	14,059
Due to component unit	108	—	108	—
Due to primary government	—	—	—	148,353
Deferred revenue	26,730	—	26,730	46,392
Noncurrent liabilities:				
Bonds, notes and leases	837,593	251,150	1,088,743	21,628
Bond anticipation note payable	25,000	—	25,000	—
Other	152,299	—	152,299	10,770
Total liabilities	<u>1,452,203</u>	<u>258,254</u>	<u>1,710,457</u>	<u>342,518</u>
<b>Net Assets</b>				
Investment in capital assets, net of related debt	(92,711)	—	(92,711)	29,339
Restricted for:				
Capital projects	74,654	—	74,654	—
Unspent bond proceeds	27,861	—	27,861	—
Other purposes	164,484	—	164,484	56,969
Unrestricted	82,442	(59,517)	22,925	32,094
Total net assets	<u>\$ 256,730</u>	<u>(59,517)</u>	<u>197,213</u>	<u>118,402</u>

See accompanying notes to basic financial statements.

**CITY OF BOSTON, MASSACHUSETTS**

Statement of Activities

Year ended June 30, 2002

(In thousands)

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets			Component units
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			
					Governmental activities	Business-type activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 84,350	15,058	10,208	—	(59,084)	—	(59,084)	—
Human services	11,730	650	10,217	—	(863)	—	(863)	—
Public safety	429,216	90,498	29,458	—	(309,260)	—	(309,260)	—
Public works	82,891	3,412	6,699	13,818	(58,962)	—	(58,962)	—
Property and development	112,787	1,576	73,588	—	(37,623)	—	(37,623)	—
Parks and recreation	18,504	53	221	—	(18,230)	—	(18,230)	—
Library	38,112	101	5,029	—	(32,982)	—	(32,982)	—
Schools	768,428	17,278	310,257	17,128	(423,765)	—	(423,765)	—
Public health programs	64,537	—	—	—	(64,537)	—	(64,537)	—
County	109,340	31	95,912	—	(13,397)	—	(13,397)	—
Judgments and claims	2,724	—	—	—	(2,724)	—	(2,724)	—
Retirement costs	82,034	2,197	—	—	(79,837)	—	(79,837)	—
Other employee benefits	101,059	—	—	—	(101,059)	—	(101,059)	—
State and district assessments	67,769	—	—	—	(67,769)	—	(67,769)	—
Interest on long-term debt	38,514	—	—	—	(38,514)	—	(38,514)	—
Total governmental activities	2,011,995	130,854	541,589	30,946	(1,308,606)	—	(1,308,606)	—
Business-type activities:								
Convention Center	19,035	—	38,695	—	—	19,660	19,660	—
Hospital bonds	8,232	—	—	—	—	(8,232)	(8,232)	—
Total business-type activities	27,267	—	38,695	—	—	11,428	11,428	—
Total primary government	\$ 2,039,262	130,854	580,284	30,946	(1,308,606)	11,428	(1,297,178)	—
Component units:								
Public Health Commission	\$ 126,755	—	128,758	—	—	—	—	2,003
Boston Redevelopment Authority	26,234	—	—	—	—	—	—	(26,234)
Trustees of the Boston Public Library	13,956	—	11,569	—	—	—	—	(2,387)
Economic Development	33,213	98	20,471	—	—	—	—	(12,644)
Total component units	\$ 200,158	98	160,798	—	—	—	—	(39,262)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 967,762	—	967,762	—
Excises					109,503	5,079	114,582	—
Payments in lieu of taxes					36,332	—	36,332	—
Grants and contributions not restricted					272,150	—	272,150	—
Investment income					23,097	8,594	31,691	1,199
Miscellaneous					33,568	7,303	40,871	36,853
Special item - gain on sale of capital assets					13,300	—	13,300	—
Total general revenues and transfers					1,455,712	20,976	1,476,688	38,052
Change in net assets					147,106	32,404	179,510	(1,210)
Net assets - beginning					109,624	(91,921)	17,703	119,612
Net assets - ending					\$ 256,730	(59,517)	197,213	118,402

See accompanying notes to basic financial statements.

**CITY OF BOSTON, MASSACHUSETTS**

Balance Sheet - Governmental Funds

June 30, 2002

(In thousands)

	General	Special revenue	Capital projects	Other governmental funds	Total governmental funds
<b>Assets</b>					
Cash and investments	\$ 482,419	106,093	80,537	—	669,049
Cash and investments held by trustees	16,008	—	3,745	43,789	63,542
Receivables, net:					
Property taxes	37,555	—	—	—	37,555
Intergovernmental	78,215	56,301	—	—	134,516
Departmental and other	11,616	195	—	—	11,811
Total receivables	127,386	56,496	—	—	183,882
Due from component units	19,250	—	—	—	19,250
Total assets	<u>\$ 645,063</u>	<u>162,589</u>	<u>84,282</u>	<u>43,789</u>	<u>935,723</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Warrants and accounts payable	\$ 41,940	14,597	9,593	16	66,146
Accrued liabilities:					
Tax abatements	25,022	—	—	—	25,022
Judgments and claims	10,000	—	—	—	10,000
Compensated absences	20,000	—	—	—	20,000
Other	86,499	27,281	—	—	113,780
Deferred revenue	58,237	—	—	—	58,237
Due to other funds	727	—	—	—	727
Due to component units	108	—	—	—	108
Other liabilities	421	—	35	—	456
Total liabilities	<u>242,954</u>	<u>41,878</u>	<u>9,628</u>	<u>16</u>	<u>294,476</u>
Fund balances (deficit):					
Reserved for:					
Encumbrances	20,262	44,111	112,020	—	176,393
Future appropriations	—	—	55,874	—	55,874
Unreserved:					
Designated for subsequent years expenditures	36,000	—	—	—	36,000
Undesignated	345,847	76,600	(93,240)	—	329,207
Undesignated, reported in permanent funds	—	—	—	43,773	43,773
Total fund balance	<u>402,109</u>	<u>120,711</u>	<u>74,654</u>	<u>43,773</u>	<u>641,247</u>
Total liabilities and fund balances	<u>\$ 645,063</u>	<u>162,589</u>	<u>84,282</u>	<u>43,789</u>	<u>935,723</u>

See accompanying notes to basic financial statements.



# CITY OF BOSTON, MASSACHUSETTS

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2002

(In thousands)

Total fund balance - Governmental Funds	\$ <u>641,247</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	14,466
Land improvements	15,507
Buildings and improvements	939,198
Equipment	117,191
Infrastructure	242,383
Construction in progress	401,296
Less: accumulated depreciation	<u>(948,099)</u>
	<u>781,942</u>
Adjust deferred revenues to record tax revenues on an accrual basis	<u>8,470</u>
Internal service funds are included in the government wide statements	<u>7,460</u>
Bond issuance costs are capitalized in the government wide statements	<u>496</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds and notes	(956,744)
Capital leases	(26,036)
Bond issue premium	(1,208)
Accrued interest on bonds	(12,399)
Compensated absences	(149,177)
Landfill	(14,871)
Judgments and claims	<u>(22,450)</u>
	<u>(1,182,885)</u>
Net assets of governmental activities	\$ <u><u>256,730</u></u>

See accompanying notes to basic financial statements.

**CITY OF BOSTON, MASSACHUSETTS**  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year ended June 30, 2002  
(In thousands)

	General	Special revenue	Capital projects	Other governmental funds	Total governmental funds
<b>Revenues:</b>					
Real and personal property taxes	\$ 990,848	—	—	—	990,848
Excises	111,114	—	—	—	111,114
Payments in lieu of taxes	36,332	—	—	—	36,332
Fines	60,601	44	—	—	60,645
Investment income	14,596	159	—	113	14,868
Licenses and permits	33,325	252	—	—	33,577
Departmental and other	62,200	10,478	8,649	1,616	82,943
Intergovernmental	492,299	334,961	13,609	—	840,869
<b>Total revenues</b>	<b>1,801,315</b>	<b>345,894</b>	<b>22,258</b>	<b>1,729</b>	<b>2,171,196</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	77,019	7,131	—	6,284	90,434
Human services	6,434	5,290	—	—	11,724
Public safety	405,844	21,888	—	—	427,732
Public works	74,651	407	—	—	75,058
Property and development	48,774	63,081	—	—	111,855
Parks and recreation	16,230	396	—	—	16,626
Library	28,695	5,261	—	—	33,956
Schools	627,653	130,162	—	—	757,815
Public Health Programs	64,537	—	—	—	64,537
County	4,537	104,754	—	—	109,291
Judgments and claims	2,724	—	—	—	2,724
Retirement costs	82,034	—	—	—	82,034
Other employee benefits	107,701	—	—	—	107,701
State and district assessments	67,769	—	—	—	67,769
Capital outlays	5,177	—	139,593	—	144,770
Debt service	115,366	3,894	—	—	119,260
<b>Total expenditures</b>	<b>1,735,145</b>	<b>342,264</b>	<b>139,593</b>	<b>6,284</b>	<b>2,223,286</b>
Excess (deficiency) of revenues over expenditures	66,170	3,630	(117,335)	(4,555)	(52,090)
<b>Other financing sources (uses):</b>					
Proceeds of long-term debt and capital leases	—	3,839	170,915	—	174,754
Operating transfers in	1,778	—	—	—	1,778
Operating transfers out	—	—	—	(1,778)	(1,778)
<b>Total other financing sources (uses)</b>	<b>1,778</b>	<b>3,839</b>	<b>170,915</b>	<b>(1,778)</b>	<b>174,754</b>
<b>Special item:</b>					
Proceeds from sale of capital assets	—	—	13,300	—	13,300
<b>Net change in fund balances</b>	<b>67,948</b>	<b>7,469</b>	<b>66,880</b>	<b>(6,333)</b>	<b>135,964</b>
Fund balance - beginning, restated (note 3)	334,161	113,242	7,774	50,106	505,283
<b>Fund balance - ending</b>	<b>\$ 402,109</b>	<b>120,711</b>	<b>74,654</b>	<b>43,773</b>	<b>641,247</b>

See accompanying notes to basic financial statements.

# CITY OF BOSTON, MASSACHUSETTS

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year ended June 30, 2002

Net change in fund balances - total governmental funds	\$ <u>135,964</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Capital outlay (\$144,770) exceeded depreciation expense (\$37,773).	<u>106,997</u>
Tax revenues in the statement of activities that are not reported as revenues in the governmental funds.	<u>(24,697)</u>
Proceeds of long-term debt (\$174,754) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Repayment of bond principal (\$93,186) is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	<u>(81,568)</u>
Bond premiums (\$1,208) increase the long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Bond issuance costs (\$496) are expenditures in the governmental funds, but are deferred assets in the statement of net assets. This is the amount by which premiums exceeded issuance costs.	<u>(712)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the decrease in compensated absences (\$2,910) and landfill liabilities (\$1,662) offset by an increase in interest payable (\$602).	<u>3,970</u>
Net income from the internal service fund which is presented in the statement of activities, but not in the governmental funds.	<u>7,152</u>
Change in net assets of governmental activities	\$ <u><u>147,106</u></u>

See accompanying notes to basic financial statements.

# CITY OF BOSTON, MASSACHUSETTS

## Statement of Revenues and Expenditures - Budgetary Basis General Fund - Budget and Actual

Year ended June 30, 2002  
(with comparative actual amounts for 2001)

(In thousands)

	<u>Original budget</u>	<u>2002 Final budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>2001 Actual</u>
Revenues and other available funds:					
Real and personal property					
taxes, net	\$ 925,937	925,937	926,336	399	874,013
Excises	105,720	107,620	112,304	4,684	105,473
Commonwealth of Massachusetts	550,452	550,452	541,456	(8,996)	525,169
Departmental and other revenue	48,331	48,331	62,193	13,862	53,100
Fines	58,271	59,010	60,659	1,649	59,769
Payments in lieu of taxes	26,281	29,087	36,332	7,245	39,994
Investment income	15,550	15,550	14,801	(749)	26,084
Licenses and permits	23,815	23,815	29,651	5,836	37,824
Other available funds	13,654	13,654	4,568	(9,086)	8,355
Total revenues and other available funds	<u>1,768,011</u>	<u>1,773,456</u>	<u>1,788,300</u>	<u>14,844</u>	<u>1,729,781</u>
Expenditures:					
General government	66,532	66,053	70,702	(4,649)	73,696
Human services	5,939	6,416	6,398	18	5,598
Public safety	400,827	402,762	405,150	(2,388)	381,275
Public works	72,198	74,984	74,833	151	78,044
Property and development	39,202	40,636	41,630	(994)	53,523
Parks and recreation	15,852	16,174	16,071	103	15,262
Library	28,702	28,813	28,813	—	29,981
Schools	637,446	639,729	639,710	19	611,925
Boston Public Health Commission	62,913	64,005	64,005	—	62,141
County	4,537	4,537	4,537	—	6,030
Judgments and claims	4,100	4,100	5,000	(900)	2,008
Other employee benefits	108,202	106,686	107,473	(787)	95,132
Retirement costs	135,710	135,710	135,710	—	133,775
State and district assessments	67,511	67,511	67,769	(258)	66,788
Debt requirements	118,340	115,340	115,332	8	105,978
Total expenditures	<u>1,768,011</u>	<u>1,773,456</u>	<u>1,783,133</u>	<u>(9,677)</u>	<u>1,721,156</u>
Excess of revenues and other available funds over expenditures	\$ <u>—</u>	<u>—</u>	<u>5,167</u>	<u>5,167</u>	<u>8,625</u>

See accompanying notes to basic financial statements.

**CITY OF BOSTON, MASSACHUSETTS**

Statement of Net Assets - Proprietary Funds

June 30, 2002

(In thousands)

Assets	Enterprise funds			Internal service
	Convention center	Hospital revenue bonds	Total	
Current assets:				
Cash and investments	\$ 702	—	702	12,052
Cash and investments held by trustees	39,431	25,346	64,777	—
Receivables, net	—	—	—	151
Due from component units	—	129,103	129,103	—
Due from other funds	—	—	—	727
Due from other governments	2,600	—	2,600	—
Other assets	1,555	—	1,555	1,606
Total current assets	44,288	154,449	198,737	14,536
Total assets	44,288	154,449	198,737	14,536
Liabilities				
Current liabilities:				
Warrants and accounts payable	269	—	269	25
Accrued liabilities	—	—	—	7,051
Current portion of long-term debt	2,100	4,735	6,835	—
Total current liabilities	2,369	4,735	7,104	7,076
Noncurrent liabilities:				
Special obligation bonds	114,790	—	114,790	—
Revenue bonds	—	136,360	136,360	—
Total noncurrent liabilities	114,790	136,360	251,150	—
Total liabilities	117,159	141,095	258,254	7,076
Net Assets				
Unrestricted	(72,871)	13,354	(59,517)	7,460
Total net assets	\$ (72,871)	13,354	(59,517)	7,460

See accompanying notes to basic financial statements.



**CITY OF BOSTON, MASSACHUSETTS**

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds

Year ended June 30, 2002

(In thousands)

	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Convention center</b>	<b>Hospital revenue bonds</b>	<b>Total</b>	
Operating revenues:				
Contributions	\$ —	—	—	71,409
Excise taxes – pledged for debt service	5,079	—	5,079	—
Departmental and other – pledged for debt service	6,270	1,033	7,303	510
Total operating revenues	11,349	1,033	12,382	71,919
Operating expenses:				
Contributions to State	19,035	—	19,035	—
Health benefits	—	—	—	64,767
Total operating expenses	19,035	—	19,035	64,767
Operating (loss) income	(7,686)	1,033	(6,653)	7,152
Nonoperating revenue (expense):				
Intergovernmental - state grants	38,695	—	38,695	—
Investment earnings - pledged for debt service	—	8,579	8,579	—
Investment earnings - other	15	—	15	—
Interest expense	—	(8,232)	(8,232)	—
Total nonoperating revenue (expense)	38,710	347	39,057	—
Change in net assets	31,024	1,380	32,404	7,152
Total net assets - beginning	(103,895)	11,974	(91,921)	308
Total net assets - ending	\$ (72,871)	13,354	(59,517)	7,460

See accompanying notes to basic financial statements.

**CITY OF BOSTON, MASSACHUSETTS**  
**Statement of Cash Flows - Proprietary Fund Type**  
**Year ended June 30, 2002**  
(In thousands)

	<b>Enterprise fund</b>			
	<b>Convention center</b>	<b>Hospital revenue bonds</b>	<b>Total</b>	<b>Internal service</b>
Cash flows from operations:				
Cash received from customers	\$ —	—	—	71,307
Other cash received	7,463	5,024	12,487	510
Cash paid to vendors	—	—	—	(67,479)
Cash paid to state	(19,035)	—	(19,035)	—
Net cash (provided) used in operations	(11,572)	5,024	(6,548)	4,338
Cash flows from noncapital financing activities:				
Grants received from state	38,695	—	38,695	—
Net cash provided by noncapital financing activities	38,695	—	38,695	—
Cash flows from capital and related financing activities:				
Interest paid on debt	—	(8,232)	(8,232)	—
Proceeds of long-term debt	116,890	—	116,890	—
Repayment of long-term debt	(157,800)	(4,485)	(162,285)	—
Net cash used by capital and related financing activities	(40,910)	(12,717)	(53,627)	—
Cash flows from investing activities:				
Investment income	15	8,579	8,594	—
Net cash provided by investing activities	15	8,579	8,594	—
(Decrease) increase in cash and cash equivalents	(13,772)	886	(12,886)	4,338
Cash and cash equivalents, beginning of year	53,905	24,460	78,365	7,714
Cash and cash equivalents, end of year	\$ 40,133	25,346	65,479	12,052

**CITY OF BOSTON, MASSACHUSETTS**

Statement of Cash Flows - Proprietary Fund Type (Continued)

Year ended June 30, 2002

(In thousands)

	<u>Convention center</u>	<u>Enterprise fund Hospital revenue bonds</u>	<u>Total</u>	<u>Internal service</u>
Reconciliation of operating income to cash provided by operating activities:				
Operating income (loss)	\$ (7,686)	1,033	(6,653)	7,152
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Changes in operating assets and liabilities:				
Accounts receivable	—	—	—	(102)
Intergovernmental receivables	(2,600)	—	(2,600)	170
Other assets	(1,555)	—	(1,555)	—
Due (to) from other funds	—	3,991	3,991	64
Accounts payable	269	—	269	3
Other accrued liabilities	—	—	—	(2,949)
Net cash (used) provided by operating activities	\$ <u>(11,572)</u>	<u>5,024</u>	<u>(6,548)</u>	<u>4,338</u>

See accompanying notes to basic financial statements.

# CITY OF BOSTON, MASSACHUSETTS

## Statement of Fiduciary Net Assets - Fiduciary Funds

June 30, 2002

(In thousands)

Assets	<u>Employee retirement plans</u>	<u>Private purpose trusts</u>	<u>Agency funds</u>
Cash and cash equivalents	\$ 444	71,394	4,160
Receivables:			
Interest and dividends	6,800	—	—
Other	64,886	2,245	—
Total receivables	71,686	2,245	—
Due from primary government	64,871	—	—
Investments, at fair value:			
Money market	1,104,405	—	—
MMDT	20,872	—	—
Short-term investments	110,797	—	—
Domestic equity securities	800,553	—	—
Domestic debt securities	294,337	—	—
International equity	342,950	—	—
International debt	144,352	—	—
Real estate	250,187	—	—
Venture capital funds	53,168	—	—
Total investments	3,121,621	—	—
Other assets	—	30	—
Total assets	3,258,622	73,669	4,160
<b>Liabilities</b>			
Accounts payable	10,121	714	—
Refunds payable and other	267,554	—	4,160
Total liabilities	277,675	714	4,160
<b>Net Assets</b>			
Held in trust for pension benefits and other purposes	\$ 2,980,947	72,955	

See accompanying notes to basic financial statements.

# CITY OF BOSTON, MASSACHUSETTS

## Statement of Changes in Fiduciary Net Assets - Fiduciary Funds

Year ended June 30, 2002

(In thousands)

	<u>Employee retirement plans</u>	<u>Private purpose trusts</u>
Additions:		
Contributions:		
Employers	\$ 150,061	—
Employees	89,844	—
Donations	—	13,725
Total contributions	<u>239,905</u>	<u>13,725</u>
Investment earnings:		
Net depreciation in the fair value of investments	(252,989)	(1,864)
Interest and dividends	70,852	4,239
Less investment expenses	<u>(8,120)</u>	<u>—</u>
Net investment (losses) earnings	(190,257)	2,375
Intergovernmental	<u>24,127</u>	<u>—</u>
Total additions	<u>73,775</u>	<u>16,100</u>
Deductions:		
Benefits	240,676	—
Reimbursement to other systems	7,299	—
Refunds of contributions	12,936	—
Borrower rebates and fees	8,445	—
Administrative expenses	<u>2,135</u>	<u>15,241</u>
Total deductions	<u>271,491</u>	<u>15,241</u>
Change in net assets	(197,716)	859
Net assets, beginning of year	<u>3,178,663</u>	<u>72,096</u>
Net assets, end of year	<u>\$ 2,980,947</u>	<u>72,955</u>

See accompanying notes to basic financial statements.

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

### (1) The Financial Reporting Entity

The accounting policies followed in preparing the accompanying basic financial statements are as follows:

#### (a) *Primary Government*

The City of Boston (the City), incorporated as a town in 1630 and as a city in 1822, now exists under Chapter 486 of the Act of 1909 and Chapter 452 of the Acts of 1948 of the Commonwealth of Massachusetts (the Commonwealth) which, as amended, constitute the City's Charter. The Mayor is elected to a four-year term and serves as chief executive officer of the City. The Mayor has general supervision of and control over the City's boards, commissions, officers and departments including all operations of Suffolk County, except county courts. The legislative body of the City is the City Council, which consists of thirteen elected members serving two-year terms. The Mayor and City Council serve as the County Commissioners of Suffolk County.

The accompanying basic financial statements present the City of Boston which includes Suffolk County and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

#### (b) *Blended Component Unit Disclosure*

The following component unit has been presented as a blended component unit (included in the primary government) because the component unit provides services almost exclusively to the primary government:

**State-Boston Retirement System (SBRS)** – The SBRS is a defined benefit contributory retirement system created under state statute. It is administered by a Retirement Board comprised of five members: the City Auditor, who serves *ex officio*; two individuals elected by participants in the system; a fourth member appointed by the Mayor and a fifth member chosen by the other members. The SBRS provides pension benefits to retired City employees.

A complete set of financial statements for SBRS for the fiscal year ended December 31, 2001 can be obtained through the City Auditor's office, Room M-4, City Hall Plaza, Boston, Massachusetts 02201.

#### (c) *Discretely Presented Component Units Disclosure*

These component units are reported in a separate column to emphasize that they are legally separate from the City but are included because the City is financially accountable for and is able to impose its will on the organizations. Unless otherwise indicated, the notes to the basic financial statements pertain only to the primary government because certain disclosures of the component units are not significant relative to the total component units and to the primary government. A description of the component units, criteria for inclusion and their relationship with the City are as follows:

**Boston Redevelopment Authority (BRA)** – The BRA is a public body politic and corporate constituting the City's redevelopment authority and exercising the powers of a planning board for the City. The BRA is governed by a five-member board, four of whom are appointed by



## CITY OF BOSTON, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2002

the Mayor. Its purpose is to provide planning support for major construction and redevelopment activity in the City.

**Economic Development and Industrial Corporation of Boston (EDIC)** – The EDIC is a body politic and corporate and an instrumentality of the Commonwealth. It is governed by the same persons appointed as members of the BRA board. The EDIC has various powers to assist industrial development projects in the City and together with the BRA assists the City with its economic development function.

**Boston Public Health Commission (PHC)** – The PHC is a body politic and corporate and public instrumentality of the Commonwealth, established by Chapter 147 of the Acts of 1995. PHC is governed by a seven-member board, six of whom are appointed by the Mayor and confirmed by the City Council, and one of whom is the chief executive officer of the Boston Medical Center (BMC). The PHC is responsible for the implementation of public health programs in the City.

**Trustees of the Public Library of the City of Boston (TPL)** – The TPL is a nonprofit organization qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Trustees of TPL are appointed by the Mayor. The TPL was established to benefit the public library system of the City.

The financial statements of the discretely presented component units are included for their respective fiscal year-ends, which is on June 30, 2002.

Complete financial statements of these discretely presented component units can be obtained through the City Auditor's office, Room M-4, City Hall Plaza, Boston, Massachusetts, 02201. In addition, condensed financial statements for the discretely presented component units are included in note 17.

#### (d) *Related Organizations*

The Mayor is also responsible for appointing members of the governing bodies of the Boston Housing Authority, Boston Industrial Development Finance Authority and Boston Water and Sewer Commission; however, the City's accountability for these organizations does not extend beyond making these appointments.

#### (2) **Summary of Significant Accounting Policies**

The accounting policies of the City of Boston, Massachusetts, conform to accounting principles generally accepted in the United States of America as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, which established new financial reporting requirements for state and local governments throughout the United States. The statement requires new information and restructures much of the information that the City has presented in the past. Comparability with reports issued in prior years is affected. Other GASB Statements are required to be implemented in conjunction with GASB Statement 34. Therefore, the City has implemented the following GASB Statements in the current fiscal year: Statement 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement 38 –

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

*Certain Financial Statement Note Disclosures.* The following is a summary of the more significant policies followed by the City:

**(a) Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as *program revenues*. Likewise, general revenues include all taxes.

**Governmental Fund Financial Statements**

Governmental fund financial statements are reported using the *current financial resources measurements focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon

## CITY OF BOSTON, MASSACHUSETTS

### Notes to Financial Statements

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as they are "susceptible to accrual" (i.e., both measurable and available.) Revenues not considered to be *available* are recorded as deferred revenue.

The City applies the susceptible to accrual criteria to property taxes and intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, resources must be expended on the specific purpose or project before any amounts will be reimbursed to the City; therefore, revenues are recognized based upon the amount of expenditures incurred. In the other, resources are virtually unrestricted and are usually revocable by the grantor only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year-end.

Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and judgments and claims, are recorded only when payment is mature and due.

#### **Proprietary Fund, Fiduciary Fund, and Component Unit Financial Statements**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from the collection of revenue pledged to repay debt. The principal operating revenues of the City's enterprise funds are lease receipts and excise taxes. The principal operating revenues of the City's internal service funds are charges to other funds for health insurance. Operating expenses for enterprise funds and internal service funds include the interest, administrative expenses, and vendor payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental funds -- The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *capital activities fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

Proprietary funds – The City reports the following major proprietary funds:

The *Convention Center fund* accounts for the City activities related to the financing for the construction of a new state-owned convention center.

The *Hospital Revenue Bond Fund* accounts for the activities related to the Boston City Hospital Bonds.

Fiduciary funds – Additionally, the City reports the following fiduciary fund types:

The *private-purpose trust fund* is used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments.

The *pension trust fund* accounts principally for the activities of the State-Boston Employees Retirement System, a blended component unit, which accumulates resources for pension benefit payments to retired City employees.

The *agency funds* are used to report funds held by the City in a purely custodial capacity.

The City also uses an internal service fund to account for its self-insured health costs. Although the fund is presented in a separate column in the accompanying financial statements, it is not considered a major fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**(c) Cash Equivalents**

For purposes of the combined statement of cash flows, investments with original maturities of three months or less when purchased are considered to be cash equivalents.

**(d) Basis of Investment Valuation**

Investments are presented in the accompanying basic financial statements at fair value. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments of the State-Boston Retirement System which are described in notes 5 and 11. Further, income from investments is recognized in the same fund as the related investments.

**(e) Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

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Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**(f) *Uncollectible Tax and Other Receivables***

All receivables are shown net of an allowance for uncollectibles. Amounts considered to be uncollectible are based on the type and age of the related receivable.

**(g) *Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	20
Public domain infrastructure	30
System infrastructure	30
Vehicles	3
Office equipment	3
Computer equipment	3

**(h) *Compensated Absences***

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2002 is recorded in the governmental fund financial statements. The portion expected to be paid within one year is recorded in the government-wide financial statements. The total amount to be paid in future years is presented in the government-wide statement of net assets. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method). The liability for both amounts is calculated based on the pay or salary rates in effect at the balance sheet date.

## CITY OF BOSTON, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2002

(i) ***Long-Term Obligations and Related Costs***

**Premiums, discounts and issue costs** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Arbitrage Rebate** – Rebatable arbitrage earnings are calculated for the City by third parties and accounted for as a liability and a reduction of investment income in the general fund. At June 30, 2002, an accumulated arbitrage rebate liability of \$1.9 million was recorded in the general fund.

(j) ***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(k) ***Tax Abatement Refunds***

All estimated tax abatement refunds have been recorded as a liability in the general fund.

(l) ***Landfill Postclosure Care Costs***

State and federal regulations require the City to place a final cover on its Gardner Street landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2002, 100% of the Gardner Street landfill site had been used and had not accepted solid waste for several years. The City has completed the covering of this site in accordance with applicable laws and regulations.

The liability for postclosure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities and services included in the estimate were acquired during the current period. Such costs are recognized as expenditures in the general fund to the extent that they are due or matured and are expected to be paid with expendable available financial resources. The total liability is reported in the Government-Wide Statement of Net Assets. Expenditures related to the Gardner Street landfill site closure and postclosure care in fiscal 2002 were approximately \$1.7 million.



# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

### (m) Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### (3) Implementation of New Accounting Standards

As a result of implementing GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, certain fund liabilities that existed at June 30, 2001 were reduced to reflect only the portion of the liability that was "due". The impact of this change on the general fund equity was to reduce liabilities and increase fund equity at July 1, 2001 by \$67.7 million.

GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* redefined 'enterprise funds' resulting in the establishment of two enterprise funds – the Convention Center fund and the Hospital Bond fund. Both funds were established to account for activities related to bonds for which revenue streams have been pledged as security repayment. The activities of the funds were transferred to the enterprise funds effective July 1, 2001. The impact is as follows:

	<b>Capital Projects</b>	<b>Hospital Bond</b>	<b>Convention Center</b>
Balance as previously reported	\$ 25,086	—	—
Transfer to Convention Center	(1,032)	—	1,032
Transfer to Hospital Bond fund	(16,280)	16,280	—
Recognition of bonds payable	—	(145,580)	(157,800)
Recognition of lease receivable	—	156,832	—
Recognition of other assets/liabilities	—	(15,558)	52,873
Balance as restated	\$ 7,774	11,974	(103,895)

### (4) Budgetary Data

The general fund is the only fund for which a budget is legally adopted. The budgets for all departments included in the general fund of the City, except the School Department, are prepared under the direction of the Mayor and City Council. The School Department budget is prepared under the direction of the School Committee.

Original and supplemental appropriations are submitted by the Mayor, approved by the City Council and lapse at year-end unless encumbered. The legal level of control over appropriations is at the department level. Amendments to the original budget must be approved by the City Council, except for a reallocation of appropriations of up to \$3 million which the Mayor may approve. Further, the City Auditor, with the approval of the Mayor, may make transfers from any appropriation to any other appropriation for purposes of eliminating deficits before closing the books for the fiscal year. After the close of the fiscal year, the

## CITY OF BOSTON, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2002

City Auditor may, with the approval of the Mayor, apply any income, taxes and funds not disposed of and make transfers from any appropriation to any other appropriation for the purpose of closing the accounts for the fiscal year. Supplemental appropriations, other than the aforementioned transfers, were approximately \$5.4 million for the year.

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 (note 6). The tax levy must equal the sum of (a) the aggregate of all annual appropriations for expenditures; plus (b) the reserve accounts described in the following paragraph; plus (c) provision for the prior fiscal years' deficits, if any; less (d) the aggregate of all nonproperty tax revenues projected to be received by the City, including available funds, in amounts certified or approved by the Commonwealth for tax rate purposes.

In accordance with the 1986 amendments to the Funding Loan Act of 1982, the City has established two reserve funds. The first is a budget reserve fund which is required to be funded in stages to a final level of 2-1/2% of the prior year's overall departmental appropriations, except the School Department, by the beginning of fiscal 1990. It is available to be applied to extraordinary and unforeseen expenditures. The second is a separate reserve fund of 1% to 2-1/2% of the current year appropriation of the School Department to be applied to overexpenditures in that department.

The City's general fund budget is prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column in the statement of revenues and expenditures - budgetary basis - general fund is presented on a "budgetary basis" to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis, where applicable, are that:

- (a) Revenues are recorded when cash is received except for real estate and personal property taxes are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations which are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).
- (c) Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the general fund (budget).
- (d) Amounts raised for the prior years' deficits and available funds from prior years' surpluses are recorded as revenue items (budget), but have no effect on GAAP revenues.

In addition, there are certain differences in classifications between revenues, expenditures and transfers.

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2002:

	Revenue	Expenditures	Other financing sources (uses), net	Excess of revenue and other financing sources
As reported on a budgetary basis	\$ 1,788,300	1,783,133	—	5,167
Adjustments:				
Revenues to modified accrual basis	66,740	—	—	66,740
Expenditures, encumbrances and accruals, net	—	3,959	—	(3,959)
Reclassifications:				
Parking meter revenue and expenditures to a special revenue fund	(2,790)	(2,790)	—	—
Debt service expenditures	—	—	—	—
State-funded teachers' retirement costs	(49,157)	(49,157)	—	—
Trust fund revenue	(1,778)	—	1,778	—
As reported on a GAAP basis	<u>\$ 1,801,315</u>	<u>1,735,145</u>	<u>1,778</u>	<u>67,948</u>

### (5) Deposits and Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, bankers' acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns and other state and other local agencies within the Commonwealth. The City's fair value of its investment in the MMDT represents their value of the pool's shares.

The City's pension and certain other trust funds have additional investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

#### (a) Deposits

The City categorized deposits according to the level of risk assumed. Category 1 includes deposits which are fully insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes those

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

deposits that are not collateralized. The City's deposits at June 30, 2002 are as follows (in thousands):

	<b>Category</b>			<b>Total bank balance</b>	<b>Carrying amount</b>
	<b>1</b>	<b>2</b>	<b>3</b>		
Total cash deposits	\$ 6,464	—	91,115	97,579	98,761

### (b) Investments

The City and SBRS categorize investments according to the level of risk assumed. Category 1 includes investments that are insured, registered or held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments held by the counterparty, or by its trust department or agent but not in the entity's name. MMDT, other mutual funds, pooled funds, venture capital funds and real estate investments are not categorized. The City's investments are as follows (in thousands):

<b>Primary government June 30, 2002</b>	<b>Category</b>			<b>Fair value</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
Categorized:				
U.S. Government obligations	\$ —	9,304	—	9,304
Debt securities	—	16,280	—	16,280
Equity securities	—	9,858	—	9,858
	\$ —	35,442	—	
Not categorized:				
Repurchase agreements				212,800
MMDT				475,412
Mutual funds				63,705
				\$ 787,359

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

SBRS – December 31, 2001	Category			Fair value
	1	2	3	
Categorized:				
Short-term investments	\$ 110,797	—	—	110,797
Domestic equity securities	757,482	—	—	757,482
Domestic debt securities	220,213	—	—	220,213
International equity	286,949	—	—	286,949
International debt	144,079	—	—	144,079
	<u>\$ 1,519,520</u>	<u>—</u>	<u>—</u>	
Not categorized:				
Investments held by broker-dealer under securities loans				347,893
MMDT				20,872
Pooled funds				929,981
Real estate				250,187
Venture capital funds				53,168
				<u>\$ 3,121,621</u>

The composition of the City's bank deposits and investments fluctuates depending primarily on the timing of real estate tax receipts, proceeds from borrowings, collection of state and federal aid and capital outlays throughout the year.

### (6) Property Taxes

Real and personal property taxes are based on values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the modified accrual basis of accounting, described in note 2.

The City bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the City's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. On November 14, all properties with unpaid fiscal 2001 property taxes were lienied. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2-1/2" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2-1/2 limits the total levy to an amount not greater than 2-1/2% of the total assessed value of all taxable property within the City. Secondly, the tax

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

levy cannot increase by more than 2-1/2% of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2-1/2 can be overridden by a City-wide referendum.

### (7) Receivables

Receivables as of year end for the government's individual major funds and internal service fund, including the applicable allowances for uncollectible accounts are as follows (in thousands):

	<u>General</u>	<u>Special revenue</u>	<u>Internal service</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 37,555	—	—	37,555
Other taxes	142,697	—	—	142,697
Intergovernmental	78,215	56,301	—	134,516
Other	34,849	195	151	35,195
Gross receivables	<u>293,316</u>	<u>56,496</u>	<u>151</u>	<u>349,963</u>
Less allowance for uncollectibles	<u>(165,930)</u>	<u>—</u>	<u>—</u>	<u>(165,930)</u>
Net total receivables	<u>\$ 127,386</u>	<u>56,496</u>	<u>151</u>	<u>184,033</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows (in thousands):

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 31,507	—
Due from component units	—	18,984
Other	—	7,746
Total deferred/unearned revenue for governmental funds	<u>\$ 31,507</u>	<u>26,730</u>

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

### (8) Capital Assets

Capital asset activity for the year ended June 30, 2002 was as follows (in thousands):

#### Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 10,604	3,862	—	14,466
Construction in progress	<u>284,221</u>	<u>117,075</u>	<u>—</u>	<u>401,296</u>
Total capital assets not being depreciated	<u>294,825</u>	<u>120,937</u>	<u>—</u>	<u>415,762</u>
Capital assets being depreciated:				
Land improvements	15,507	—	—	15,507
Buildings and improvements	940,789	—	1,591	939,198
Furniture and equipment	109,410	10,181	2,400	117,191
Infrastructure	<u>228,731</u>	<u>13,652</u>	<u>—</u>	<u>242,383</u>
Total capital assets being depreciated	<u>1,294,437</u>	<u>23,833</u>	<u>3,991</u>	<u>1,314,279</u>
Less accumulated depreciation for:				
Land improvements	2,062	1,129	—	3,191
Buildings and improvements	747,281	19,590	1,591	765,280
Furniture and equipment	92,997	9,346	2,400	99,943
Infrastructure	<u>71,977</u>	<u>7,708</u>	<u>—</u>	<u>79,685</u>
Total accumulated depreciation	<u>914,317</u>	<u>37,773</u>	<u>3,991</u>	<u>948,099</u>
Total capital assets being depreciated, net	<u>380,120</u>	<u>(13,940)</u>	<u>—</u>	<u>366,180</u>
Governmental activities capital assets, net	<u>\$ 674,945</u>	<u>106,997</u>	<u>—</u>	<u>781,942</u>



# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	\$	347
Human Services		57
Public safety		7,625
Public works, including depreciation of general infrastructure assets		9,152
Property and Development		932
Parks and recreation		2,017
Library		4,156
Schools		13,214
County		273
Total depreciation expense – governmental activities	\$	<u>37,773</u>

### (9) Interfund Receivable and Payable Balances

Individual fund and discrete component unit receivable and payable balances at June 30, 2002, are as follows (in thousands):

<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ —	727
Internal service	727	—
Balance at June 30, 2002	727	727
SBRS at December 31, 2001	64,871	—
Balances in accompanying basic financial statements	\$ <u>65,598</u>	<u>727</u>
<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government:		
General	\$ 19,250	108
Hospital revenue bond	129,103	—
Discretely presented component units:		
PHC	108	148,353
Balances in accompanying basic financial statements	\$ <u>148,461</u>	<u>148,461</u>

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

### (10) Long-Term Obligations

#### (a) Governmental Activity Obligations

Following is a summary of the governmental long-term obligations of the City as of June 30, 2002 (in thousands):

	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
Bonds and notes payable:						
General obligation bonds dated 2/1/02	3.00-5.0%	\$ —	100,000	—	100,000	6,090
General obligation refunding bonds dated 4/11/01	3.63-5.0%	52,025	—	—	52,025	500
General obligation bonds dated 2/1/01	4.25-5.0%	120,000	—	8,360	111,640	8,360
General obligation bonds dated 2/1/00	5.0-5.75%	110,160	—	9,840	100,320	9,840
General obligation bonds dated 10/15/98	3.25-5.0%	104,580	—	7,710	96,870	7,710
General obligation refunding bonds dated 4/15/98	4.5-5.25%	63,290	—	6,480	56,810	1,384
General obligation bonds dated 1/15/98	4.5%	67,210	—	7,595	59,615	7,595
General obligation bonds dated 11/15/96	5.0%	61,200	—	7,200	54,000	5,400
General obligation bonds dated 10/15/95	5.0-5.25%	23,000	—	3,100	19,900	3,100
General obligation bonds dated 9/1/94	5.0-6.0%	23,515	—	4,305	19,210	4,530
General obligation refunding bonds dated 2/1/94	4.0-5.0%	60,855	—	5,300	55,555	5,920
General obligation bonds dated 9/1/93	4.0-4.875%	37,655	—	2,090	35,565	2,190
General obligation refunding bonds dated 2/1/93	3.0-5.65%	72,720	—	11,960	60,760	15,665
General obligation bonds dated 2/15/92	4.75-6.5%	6,210	—	3,015	3,195	3,195
General obligation refunding bonds dated 5/15/91	5.5-10.0%	8,515	—	4,515	4,000	4,000
MWPAT note payable	4.25-5.75%	9,750	—	439	9,311	444
Notes payable	5.44-7.18%	27,620	3,839	491	30,968	2,153
Bond Anticipation Notes dated 2/1/02	3.5%	—	62,000	—	62,000	—
Bond Anticipation Notes dated 2/1/01	4.0%	25,000	—	—	25,000	25,000
Total governmental obligation bonds and notes payable		873,305	165,839	82,400	956,744	113,076
Other long-term obligations:						
Leases		27,907	8,915	10,786	26,036	8,319
Judgments and claims		22,450	31,041	21,041	32,450	10,000
Compensated absences, net		152,087	17,090	—	169,177	54,655
Landfill postclosure care costs		16,533	—	1,662	14,871	—
Total other long-term obligations		218,977	57,046	33,489	242,534	72,974
Total governmental long-term obligations		\$ 1,092,282	222,885	115,889	1,199,278	186,050

**CITY OF BOSTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2002

**(b) Business Type Activity Obligations**

Following is a summary of the business type long-term obligations of the City as of June 30, 2002 (in thousands):

	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
Convention Center Fund:						
Special Obligation Bonds dated 4/1/02	4.0-5.25%	\$ —	116,890	—	116,890	2,100
Bond Anticipation Notes dated 2/1/00	5.25%	27,800	—	27,800	—	—
Bond Anticipation Notes dated 5/1/99	4.0%	130,000	—	130,000	—	—
Hospital Bond Fund:						
Revenue Refunding Bonds, Boston City Hospital, Series B, dated 6/1/93	3.60-5.25%	145,580	—	4,485	141,095	4,735
Total business type obligations		\$ <u>303,380</u>	<u>116,890</u>	<u>162,285</u>	<u>257,985</u>	<u>6,835</u>

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

### A. General Obligation Bonds and Notes

The annual debt service requirements of the City's general obligation governmental bonds and notes payable outstanding as of June 30, 2002, are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2003	\$ 113,076	42,840	155,916
2004	84,265	38,579	122,844
2005	78,265	34,790	113,055
2006	126,816	29,437	156,253
2007	63,195	25,949	89,144
2008-2012	262,443	88,595	351,038
2013-2017	167,177	35,062	202,239
2018-2022	61,507	6,794	68,301
	<u>\$ 956,744</u>	<u>302,046</u>	<u>1,258,790</u>

General obligation bonds are backed by the full faith and credit of the City. The Commonwealth has approved school construction assistance, subject to annual appropriation by the state legislature and reports filed with the Commonwealth by the City, to partially provide resources for future principal and interest requirements on general obligation school bonds of the City. As of June 30, 2002, such resources expected to be provided to the City total approximately \$217,638 from the Commonwealth.

On February 15, 2002, the City issued \$100,000,000 in general obligation bonds to fund various capital purchases and improvements throughout the City. Interest is due semiannually on each February 1 and August 1, with principal payments due each February 1 until maturity in fiscal 2022.

On February 1, 2002, the City issued \$62,000,000 in bond anticipation notes (BANs) to fund various school projects. The City will pay interest of approximately \$6,510,000 through fiscal 2006. The City is expected to issue general obligation bonds to refund the BANs; accordingly, they have been classified as long-term obligations.

As of June 30, 2002, the City has a permanent loan agreement with the Massachusetts Water Pollution Abatement Trust (MWPAT) for \$13.4 million. The loan provides funding for the closure and postclosure care costs relating to the City's Gardner Street Landfill. Proceeds are received on a reimbursement basis from MWPAT as expenditures are incurred by the City. As of June 30, 2002, the City has received approximately \$12.3 million in loan proceeds.

#### **No Obligation Debt**

The City has outstanding industrial, commercial and housing development bonds payable solely from revenues of the respective enterprises that do not constitute an indebtedness of the City and are not a charge against its general credit. This aggregate amount is immaterial to the financial statements.

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

The City is subject to a dual general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 2-1/2% and 5%, respectively, of the valuation of taxable property in the City as last equalized by the State Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2002, the City may issue \$287.9 million of additional general obligation debt under the debt limit. General obligation debt of \$373 million, subject to the debt limit, and \$260 million, exempt from the debt limit, is authorized but unissued as of June 30, 2002.

### *Proprietary Fund Obligations*

The annual debt service requirements of the City's special obligation bonds and Boston City Hospital, Series B, revenue bonds, outstanding as of June 30, 2002 are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2003	\$ 6,835	13,939	20,774
2004	7,295	13,347	20,642
2005	8,045	12,957	21,002
2006	5,655	12,523	18,178
2007	3,070	12,294	15,364
2008-2012	28,790	56,488	85,278
2013-2017	59,165	43,065	102,230
2018-2022	28,050	34,937	62,987
2023-2027	111,080	9,873	120,953
	<u>\$ 257,985</u>	<u>209,423</u>	<u>467,408</u>

On April 15, 2002, the City issued \$116,890,000 in special obligation bonds to fund certain costs in connection with the development of the Boston Convention and Exhibition Center. Interest is due semiannually on each May 1 and November 1, with principal payments due each May 1 until maturity in fiscal 2027.

The revenue refunding bonds of the Boston City Hospital (BCH) do not constitute general obligations of the City and the annual debt service of these bonds has been assumed by the Boston Public Health Commission. The Boston Public Health Commission expects to meet its obligation on the bonds through application of a portion of the rent payable to the Boston Public Health Commission by the Boston Medical Center Corporation (BMC) for its lease of the former Boston City Hospital. As a result of the consolidation of the BMC and BCH (see note 15), on July 1, 1996, the City received \$16.28 million, representing debt service reserve on these bonds. It was recorded as proceeds of debt in the capital projects fund and subsequently transferred to the general fund for future debt service requirements. Under certain circumstances, including a default by BMC under the lease, City revenues may be required to satisfy the debt service requirements on the Series B bonds.

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

The Boston Public Health Commission has assumed responsibility for paying to the City an amount equal to current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes which amounted to \$20.7 million at June 30, 2002.

### *Defeased Debt*

The following prior year transactions met the requirements of an in-substance defeasance:

- On April 11, 2001, the City issued \$52.0 million in general obligation refunding bonds to advance refund \$49.9 million of 1991, 1994, and 1995 Series Bonds.
- On May 12, 1998, the City issued \$77.9 million in general obligation bonds, dated April 15, 1998, of which \$62.9 million was used to advance refund \$58.0 million of 1989, 1990, 1992 and 1994 Series Bonds.

The principal amount of debt refunded through in-substance defeasance transactions and still outstanding at June 30, 2002 was approximately \$48 million.

### *Subsequent Event*

- In August 2002, \$127.8 million of bonds were issued to refund the Boston City Hospital, Series B Bonds dated June 1, 1993.

## **B. Lease Obligations**

The City has entered into various capital lease agreements for equipment acquisition. Payments under these agreements are subject to annual appropriation and, by statute, are not included in the City's debt limit calculations. Activity in capital lease agreements during fiscal year 2002 was as follows (in thousands):

Date of issuance	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year
August 15, 1995	\$ 131	—	131	—
December 17, 1997	541	—	481	60
November 10, 1997	582	—	416	166
June 25, 1998	2,113	—	672	1,441
August 25, 1998	3,375	—	1,117	2,258
March 18, 1999	1,714	—	1,031	683
October 1, 1999	3,745	—	636	3,109
January 25, 2000	4,635	—	1,994	2,641
November 21, 2000	10,481	—	2,832	7,649
May 21, 2001	590	—	200	390
October 31, 2001	—	7,290	1,276	6,014
June 5, 2002	—	1,625	—	1,625
	<u>\$ 27,907</u>	<u>8,915</u>	<u>10,786</u>	<u>26,036</u>

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

Future minimum payments under capital leases and installment sales as of June 30, 2002 are as follows (in thousands):

2003	\$ 10,875
2004	8,280
2005	4,724
2006	2,462
2007	1,250
2008-2011	<u>485</u>
Total minimum lease payments	28,076
Less amount representing interest	<u>(2,040)</u>
	26,036
Current portion	<u>(8,319)</u>
Long-term portion	<u>\$ 17,717</u>

The City's commitment under operating leases is not significant.

### (11) Retirement Plans

#### (a) Plan Description

The City contributes to the State-Boston Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members and beneficiaries of the following government units:

- (1) City of Boston
- (2) Boston Redevelopment Authority
- (3) Boston Housing Authority
- (4) Boston Water & Sewer Commission
- (5) Public Health Commission
- (6) Sheriff of Suffolk County

Chapter 32 of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the plan to the state legislature.

The System is administered by a five-person Board of Retirement consisting of the City Auditor who serves as a member *ex officio*, two members who are elected by the participants, in or retired from the service of the System, a fourth member appointed by the Mayor and a fifth member chosen by the other members.

The City also participates in the Boston Retirement System (BRS) and made benefit payments of approximately \$4.1 million for the year ended June 30, 2002. The number of BRS plan participants was frozen in 1946. The financial statements of BRS are combined with the System's, however, disclosures for BRS are not material and, thus, are not presented separately.

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

### (b) *Basis of Accounting*

The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments of the System are stated as follows:

- (a) Bonds are stated at quoted market value.
- (b) Equity securities are stated at quoted market value.
- (c) Real estate funds are stated at appraised value or partner's account value, whichever is more readily determinable.
- (d) Venture capital funds are stated at contributed cost or fair market value, whichever is more readily determinable.
- (e) International investments are stated at quoted market value and are included in equities and fixed income categories.
- (f) Cash is stated at carrying amount which is reconciled book balance.

### (c) *Membership*

Membership in the System consisted of the following at December 31, 2001, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	13,144
Terminated plan members entitled to but not receiving benefits	3,560
Active plan members	<u>21,122</u>
Total membership	<u>37,826</u>
Total number of participating employers	<u>6</u>

### (d) *Contributions*

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5%-9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts (the Commonwealth) reimburses the City for benefits paid to school teachers. The Commonwealth also reimbursed the System for a portion of benefit payments for cost of living increases granted before July 1, 1998. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's required and actual contributions to the System for the years ended June 30, 2002, 2001 and 2000 were \$130 million, \$127 million, and \$129 million, or \$85 million, \$88 million, and \$90 million, net of teachers' retirement, respectively.



# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

During the fall of 1997 the System's Retirement Board, the City Council and the Mayor approved the option for local funding of cost of living adjustments. As a result, a locally funded cost of living adjustment of 3.0% on the first \$12,000 of a retiree's annual payment was awarded in fiscal 2000 and fiscal 2001. These cost of living adjustments will be awarded by the Retirement Board each year, except in years in which the Retirement Board determines that such an adjustment would substantially impair the funding schedule.

### (e) *Legally Required Reserve Accounts*

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2001 are as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 995,817	Active members' contribution balance
Annuity reserve fund	261,387	Retired members' contribution account
Military service credit	60	Members' contribution account while on military leave
Pension reserve fund	919,300	Amounts appropriated to fund future retirement benefits
Pension fund	804,318	Remaining net assets
	<u>\$ 2,980,882</u>	

All reserve accounts are funded at levels required by State statute.

### (f) *Investment Concentration*

The System had the following investments not issued or guaranteed by the US Government which represented over 5% each of the System's net assets at December 31 (in thousands):

	2001	2000
State Street Global Advisors S&P 500 Flagship Series A (domestic equity income fund)	\$ <u>433,112</u>	<u>491,635</u>
Enhanced Core (fixed income fund)	<u>—</u>	<u>170,870</u>

### (g) *Securities Lending*

The Public Employment Retirement Administration Commission of Massachusetts (PERAC) has issued supplemental regulations that permit the System to engage in securities lending transactions. These transactions are conducted by the System's custodian, which lends certain securities owned by the System to other broker-dealers and banks pursuant to a form of loan agreement. The System and the borrowers maintain the right to terminate all securities lending transactions on demand.

At the System's direction, the custodian lends the System's securities and receives cash (including both US and foreign currency), US government securities, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. The custodian does not have the ability to pledge or sell

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

collateral unless the borrower defaults. Borrowers are required to deliver cash collateral in amounts equal to not less than 100% of the market value of the loaned securities.

The System does not impose any restrictions on the amount of securities lent on its behalf by the custodian. There were no failures by any borrowers to return loaned securities or pay distributions thereon, and there were no losses from a default of the borrowers or the custodian for the years ended December 31, 2001 and 2000. The cash collateral received by the custodian on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and loans was affected by the maturities of the loans made by other plans that invested cash collateral in the collective investment pool, which the System could not determine. At December 31, 2001 and 2000, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts owed to the System. Borrower rebates and fees paid to the custodian during the years ended December 31, 2001 and 2000 were \$8,445,000 and \$14,434,000, respectively.

At December 31, 2001 and 2000, the fair value of securities loaned by the System amounted to \$173,469,000 and \$248,195,000, respectively, against which was held collateral of \$180,010,000 and \$258,606,000, respectively, as follows (in thousands):

	December 31	
	2001	2000
Short-term collateral investment pool	\$ 174,424	252,563
Non-cash collateral	5,586	3,164
Total	\$ 180,010	255,727

### (12) Other Postemployment Benefit Disclosures

In addition to the pension benefits described in note 11, the City provides postemployment health care and life insurance benefits, in accordance with state statute and City ordinance, to eligible retirees. Approximately 12,600 retirees meet the eligibility requirements as put forth in Chapter 32B of Massachusetts General Laws. The City pays 75% of Blue Cross/Blue Shield of Massachusetts (BC/BS) premiums and 90% of HMO premiums for medical and hospitalization incurred by retirees and their dependents. The City also pays 75% of BC/BS Medicare premiums for each Medicare eligible retiree. The City provides for 50% of the premiums for \$5,000 of life insurance for each eligible retiree.

Expenditures of approximately \$45 million for health care and life insurance benefits for retirees are accounted for on a pay-as-you-go basis in fiscal 2002.

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

### (13) Operating Transfers

Operating transfers and their purposes during the year ended June 30, 2002 were as follows (in thousands):

	<u>Governmental funds</u>	<u>Trust funds</u>
	<u>General</u>	<u>Permanent</u>
Primary government:		
Trust funds -- support for parks department	\$ 1,778	(1,778)

### (14) Excess of Expenditures Over Budgets

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2002 in the following categories (in thousands):

General government:	
Collective bargaining	\$ 5,785
Public safety:	
Fire Department	2,527
Public works:	
Property management	994
Judgment and claims:	
Execution of courts	900
Employee benefits:	
Medicare payments	452
Workers' compensation	358
State and district assessments	258
	<u>\$ 11,274</u>

The excess expenditures reported above are allowed under the budgetary laws governing the City.

### (15) Public Health System

Effective July 1, 1996, the City's Department of Health and Hospitals and Trustees of Health and Hospitals, a component unit, were abolished. Substantially all their assets and liabilities, including title to the City's two hospitals, Boston City Hospital (BCH) and Boston Specialty and Rehabilitation Hospital (BSRH), were transferred to and assumed by the Boston Public Health Commission (PHC).

Also effective July 1, 1996, the operations of BCH and BSRH were consolidated with the operations of the Boston University Medical Center under the licensure and control of the Boston Medical Center Corporation (BMC).

The PHC receives the majority of its funding from federal and state grants, lease agreements with BMC and a City appropriation. During fiscal 2002, the City appropriated \$64.7 million to the PHC. As described below, the PHC uses the appropriation to pay debt service on certain general obligation bonds, base

## CITY OF BOSTON, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2002

assistance grant payments to BMC and a portion of the consolidation costs to BMC. The remainder of the appropriation is used for administrative purposes and to support the various public health programs run by the PHC. The City has budgeted \$63.9 million for the PHC for fiscal 2003.

#### *Due from PHC/BMC*

On July 1, 1996, the PHC assumed a liability of \$149.8 million for a mortgage note (the Note) held by a trustee and insured by the Federal Housing Authority (FHA), the balance of which is \$129.1 million at June 30, 2002. Payments made by the PHC on this Note are used, together with other funds held in trust, by the trustee to pay off the outstanding balance of \$141.1 million of the City's revenue refunding bonds dated June 1, 1993. The PHC receives funding for these Note payments from the BMC under a lease agreement whereby the BMC leases portions of the former BCH for an initial period of 50 years. Rental payments received under this lease are equal to the debt service costs on the Note and on all City general obligation bonds allocable to BCH. These general obligation bonds were issued by the City between December 1967 and October 1995 and total \$18.9 million at June 30, 2002. These bonds pertain to the property and operations of the BCH Campus, South Block Campus, BSRH Campus, Emergency Medical Services Operations and the Long Island Campus.

In addition, the PHC and BMC are also responsible for reimbursing the City for health insurance, equipment lease payments, workers' compensation and other miscellaneous expenses paid for by the City.

#### *Payments to BMC*

Under the terms of the consolidation agreement, the PHC is obligated to pay BMC \$1.0 million per year for five (5) years, beginning on July 1, 1996, to subsidize the costs of consolidation. If after 5 years, total consolidation costs total less than \$10.0 million, the PHC is entitled to a rebate in an amount that will bring the PHC's share of these costs to 50%. The fiscal year 2001 payment to BMC represents the final payment under the terms of the consolidation agreement and it is expected BMC will provide documentation of the consolidated costs as part of their year-end process.

PHC is obligated to make future base assistance grant payments to BMC totaling \$12.0 million each year until the FHA Note has been paid off (scheduled in 2020).

In addition, during fiscal 1997, the City made \$20.0 million in contributions to a capital fund in support of the Boston HealthNet health center members. The BMC is expected to provide \$2.0 million in each of the six (6) years following the consolidation in additional support to the Boston HealthNet health center members.

#### **(16) Risk Management**

The City is self insured for general liability, property and casualty (except for boiler and machinery losses up to \$2.5 million), worker injury, unemployment and certain employee health claims. The City's Corporation Counsel defends the City in any lawsuits that arise from the normal course of operations, with exposure limited by a state tort cap under Chapter 258 of the Massachusetts General Laws. Except for certain health care costs described below, judgments and claims are charged to the general fund.

The City's health insurance program, administered by the Health Insurance and Benefits Division, a program within Human Resources, provides coverage to the City's employees and retirees through a number of Health Maintenance Organizations (HMO) and Blue Cross/Blue Shield of Massachusetts (BC/BS). Costs to

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

the City for the HMOs, of which 10% is paid by employees, are accounted for in the general fund and are capped at a defined premium payment per employee.

BC/BS acts as a third-party agent for the City in the payment of the various claim plans used by the City. Costs incurred for the operation of the BC/BS plans, of which 25% is paid by employees, are accounted for in a separate health insurance internal service fund.

The City has implemented a comprehensive risk financing strategy that includes establishing a catastrophic risk reserve, currently with a \$5.9 million balance available for future losses. The City has also improved systems for maximizing the receipt of federal disaster funds. On July 1, 2001, the City's property insurance policy went into effect – a one-year, all-risk catastrophic policy covering all City property assets up to \$400 million, after a \$10 million retention. Any boiler and machinery-related property loss is additionally insured, after a \$50,000 deductible, for up to \$2.5 million.

The City has established a liability based on historical trends of previous years and attorney's estimates of pending matters and lawsuits in which the City is involved. Changes in the self-insurance liability for the fiscal years ended June 30, 2002 and 2001 are as follows (in thousands):

		<b>Internal service fund</b>	
		<b>2002</b>	<b>2001</b>
Health and life claims, beginning of year	\$	10,000	11,202
Incurred claims		61,818	59,052
Payments of claims attributable to events of both the current and prior fiscal years:			
Health and life		(64,767)	(60,254)
Health and life claims, end of year	\$	<u>7,051</u>	<u>10,000</u>
		<b>Governmentwide statements</b>	
		<b>2002</b>	<b>2001</b>
Judgments and claims, beginning of year	\$	22,450	20,174
Incurred claims		36,041	17,610
Payments of claims attributable to events of both the current and prior fiscal years:			
Workers' compensation		(13,756)	(11,595)
Unemployment compensation		(2,285)	(1,731)
Court judgments		(10,000)	(2,008)
Judgments and claims, end of year	\$	<u>32,450</u>	<u>22,450</u>

The liabilities above have not been discounted to their present value. Incurred claims represent the total of a provision for events of the current fiscal year and any change in the provision for events of the prior fiscal years.

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

There are numerous pending matters and lawsuits in which the City is involved. The City attorneys estimate that the potential claims against the City not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the basic financial statements.

### (17) Discretely Presented Component Units

The following presents condensed financial statements for each of the discretely presented component units:

#### Condensed Statement of Net Assets

June 30, 2002

(In thousands)

	PHC	BRA	TPL	EDIC	Total
<b>Assets:</b>					
Cash and investments:	\$ 33,551	28,035	51,499	20,980	134,065
Cash and investments held by trustee	—	1,071	2,070	7,456	10,597
Receivables, net:					
Other	7,885	60,481	2,493	21,577	92,436
Internal balances	—	—	—	—	—
Other assets	135,321	27,091	1,768	453	164,633
Capital assets:					
Nondepreciable	17,500	3,476	—	4,030	25,006
Depreciable	4,374	1,777	987	19,868	27,006
Due from other funds	7,069	—	—	—	7,069
Due from primary government	108	—	—	—	108
<b>Total assets</b>	<b>205,808</b>	<b>121,931</b>	<b>58,817</b>	<b>74,364</b>	<b>460,920</b>
<b>Liabilities:</b>					
Warrants and accounts payable	10,996	69,905	2,320	14,215	97,436
Accrued Liabilities:					
Other	739	—	11	2,271	3,021
Due to other funds	14,059	—	—	—	14,059
Due to primary government	148,353	—	—	—	148,353
Deferred revenue	4,140	32,807	—	9,445	46,392
Noncurrent liabilities:					
Due within one year	—	—	—	859	859
Due in more than one year	—	1,475	—	20,153	21,628
Other	2,601	6,982	—	1,187	10,770
<b>Total liabilities</b>	<b>180,888</b>	<b>111,169</b>	<b>2,331</b>	<b>48,130</b>	<b>342,518</b>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	14,736	3,778	987	9,838	29,339
Restricted	5,170	1,071	38,187	12,541	56,969
Unrestricted	5,014	5,913	17,312	3,855	32,094
<b>Total net assets</b>	<b>\$ 24,920</b>	<b>10,762</b>	<b>56,486</b>	<b>26,234</b>	<b>118,402</b>

# CITY OF BOSTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2002

### Condensed Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2002

(In thousands)

	<u>PHC</u>	<u>BRA</u>	<u>TPL</u>	<u>EDIC</u>	<u>Total</u>
Operating revenues	\$ 64,221	25,212	8,479	34,608	132,520
City appropriation	<u>64,537</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>64,537</u>
Total revenues	128,758	25,212	8,479	34,608	197,057
Operating expenditures	<u>104,900</u>	<u>26,234</u>	<u>13,956</u>	<u>33,213</u>	<u>178,303</u>
Excess of revenues over (under) expenditures	23,858	(1,022)	(5,477)	1,395	18,754
Nonoperating revenue	692	—	—	—	692
Nonoperating expenditures	(12,000)	—	—	—	(12,000)
Interest expense	(9,855)	—	—	—	(9,855)
Interest income	<u>1,199</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,199</u>
Net change in net assets	3,894	(1,022)	(5,477)	1,395	(1,210)
Net assets, beginning of year	<u>21,026</u>	<u>11,784</u>	<u>61,963</u>	<u>24,839</u>	<u>119,612</u>
Net assets, end of year	<u>\$ 24,920</u>	<u>10,762</u>	<u>56,486</u>	<u>26,234</u>	<u>118,402</u>

**CITY OF BOSTON, MASSACHUSETTS**  
**State-Boston Retirement System**

Required Supplementary Information  
(Unaudited)

(Dollar amounts in thousands)

Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
01/01/02	\$ 3,376,000	4,861,000	1,485,000	69.5%	\$ 1,057,000	140.5%
01/01/01	3,212,000	4,257,000	1,045,000	75.5%	990,000	105.6%
01/01/00	2,980,000	4,101,000	1,121,000	72.7%	943,000	118.9%
01/01/99	2,772,000	3,793,000	1,021,000	73.1%	803,000	127.1%
01/01/98	2,411,000	3,614,000 <sup>(1)</sup>	1,203,000	66.7%	768,000	156.6%
01/01/97	2,062,000	3,173,000	1,111,000	65.0%	735,000	151.2%
01/01/96	1,834,000	2,940,000	1,106,000	62.4%	777,000	142.3%

<sup>(1)</sup> Future cost of living increases assumed by the City.

Schedule of Employers' Contributions

	Annual required contribution	Percentage contributed
Year ended December 31:		
2001	\$ 149,820	100%
2000	143,944	100
1999	147,138	100
1998	137,866	100
1997	133,524	100
1996	125,980	100

Notes to Schedules

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2002
Actuarial cost method	Individual entry age normal
Amortization method	Payment increase at 3.5% per year
Remaining amortization period	18 years (for original unfunded)
Asset valuation method	Five-year smoothing of investment returns greater (less) than expected
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.5%
Inflation rate	5.0%
Cost-of-living adjustments	3.0% on first \$12,000 of retirement income





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## **GENERAL FUND**

The general fund is the operating fund of the City. It is used to account for all revenues, expenditures and other financial resources except those required to be accounted for in other funds.

**Exhibit A-1**

**GENERAL FUND**  
Comparative Balance Sheet  
June 30, 2002 and 2001  
(in thousands)

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash and investments.....	\$ 482,419	\$ 415,294
Restricted cash and investments.....	16,008	16,280
Receivables:		
Property taxes.....	37,555	78,421
Motor vehicle / boat excise.....	56,456	9,498
Intergovernmental.....	78,215	70,253
Departmental and other.....	34,849	2,621
Tax title and possession.....	86,241	-
Total receivables.....	<u>293,316</u>	<u>160,793</u>
Allowance:		
Tax title and possession.....	(86,241)	-
Motor vehicle / boat excise.....	(56,456)	-
Other.....	(23,233)	-
Total allowances.....	<u>(165,930)</u>	<u>-</u>
Net Receivable.....	127,386	160,793
Due from other funds.....	-	60,628
Due from component units.....	19,250	157,200
Total assets.....	\$ <u>645,063</u>	\$ <u>810,195</u>
<b>LIABILITIES</b>		
Warrants and accounts payable.....	\$ 41,940	\$ 107,471
Accrued liabilities:		
Tax abatement refunds.....	25,022	90,600
Judgements and claims.....	10,000	-
Sick and vacation.....	20,000	17,000
Other.....	86,499	69,660
Due to other funds.....	727	4,420
Due to component units.....	108	-
Deferred revenue.....	58,237	254,146
Matured interest and bonds payable.....	421	438
Total liabilities.....	<u>242,954</u>	<u>543,735</u>
<b>FUND BALANCE</b>		
Reserved for:		
Encumbrances.....	20,262	38,169
Debt service.....	-	16,280
Unreserved:		
Designated for subsequent year expenditures.....	36,000	30,000
Undesignated.....	345,847	182,011
Total fund balance.....	<u>402,109</u>	<u>266,460</u>
Total liabilities and fund balance.....	\$ <u>645,063</u>	\$ <u>810,195</u>

**City of Boston, Massachusetts**

**Exhibit A-2**

**GENERAL FUND**

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
Years Ended June 30, 2002 and 2001  
(in thousands)

	<u>2002</u>	<u>2001</u>
<b>REVENUES:</b>		
Local:		
Real and personal property taxes, net.....	\$ 990,848	\$ 874,868
Excises.....	111,114	72,645
Payments in lieu of taxes.....	36,332	72,720
Fines.....	60,601	57,840
Investment income.....	14,596	26,289
Licenses and permits.....	33,325	36,795
Departmental and other revenue.....	62,200	58,306
Total local revenues.....	<u>1,309,016</u>	<u>1,199,463</u>
Intergovernmental:		
Commonwealth.....	492,299	493,278
Total intergovernmental revenues.....	<u>492,299</u>	<u>493,278</u>
Total revenues.....	<u>1,801,315</u>	<u>1,692,741</u>
<b>EXPENDITURES:</b>		
Current:		
General government.....	77,019	67,913
Human services.....	6,434	5,464
Public safety.....	405,844	373,362
Public works.....	74,651	77,241
Property and development.....	48,774	41,300
Parks and recreation.....	16,230	15,547
Library.....	28,695	30,360
Schools.....	627,653	611,368
Public Health Programs.....	64,537	62,476
County.....	4,537	6,030
Judgments and claims.....	2,724	5,011
Retirement costs.....	82,034	84,970
Other employee benefits.....	107,701	90,501
State and district assessments.....	67,769	66,788
Capital outlays.....	5,177	4,057
Debt service.....	115,366	123,977
Total expenditures.....	<u>1,735,145</u>	<u>1,666,365</u>
Excess.....	<u>66,170</u>	<u>26,376</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Operating transfers in .....	1,778	1,678
Transfers from component unit.....	-	17,706
Total other financing (uses) sources.....	<u>1,778</u>	<u>19,384</u>
Excess of revenues and other financing sources over expenditures and other financing uses.....	<u>67,948</u>	<u>45,760</u>
Fund balance, beginning of year, as previously reported.....	266,460	220,700
Cumulative change in accounting principle.....	<u>67,701</u>	<u>-</u>
Fund balance, beginning of year, as restated.....	<u>334,161</u>	<u>220,700</u>
Fund balance, end of year.....	<u>\$ 402,109</u>	<u>\$ 266,460</u>

Exhibit A-3

**GENERAL FUND**

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)  
Year Ended June 30, 2002  
(in thousands)  
(with comparative actual amounts for 2001)

Classification	2002					2001 Actual
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)		
PROPERTY TAXES						
Real and Personal Property Taxes.....	\$ 925,937	925,937	926,336	\$ 399	\$ 874,013	
Revenue class total	925,937	925,937	926,336	399	874,013	
MOTOR VEHICLE EXCISE						
Motor Vehicle Excise - Current .....	40,325	42,225	25,162	(17,063)	43,292	
Motor Vehicle Excise - Prior Years.....	-	-	17,602	17,602	(1,471)	
Boat Excise - Current and Prior Years.....	-	-	12	12	1	
Revenue class total	40,325	42,225	42,776	551	41,822	
OTHER EXCISE TAXES						
Hotel / Motel Room Excise.....	22,000	22,000	20,976	(1,024)	15,000	
Aircraft Fuel Excise.....	14,300	14,300	16,221	1,921	15,279	
Condominium Conv. Excise.....	395	395	672	277	556	
County Deeds Excise Fund.....	-	-	-	-	(11)	
Urban Redevelopment Ch.121A.....	28,700	28,700	31,659	2,959	32,827	
Revenue class total	65,395	65,395	69,528	4,133	63,651	
COMMONWEALTH OF MASSACHUSETTS						
State Owned Lands.....	321	321	998	677	-	
Exemption - Elderly.....	508	508	-	(508)	-	
Exemption - Other.....	453	453	531	78	-	
Exemption - Blind.....	28	28	-	(28)	-	
Lottery.....	63,492	63,492	63,492	-	70,978	
Highways - Local Aid.....	209	209	209	-	837	
Veterans Services - Local Aid.....	804	804	844	40	168	
Pensions - Retired Teachers.....	45,295	45,295	45,341	46	41,393	
Additional Assitance.....	206,638	206,638	206,638	-	206,638	
Police Career Incentive.....	6,318	6,318	6,460	142	-	
Local Share of Racing Taxes.....	416	416	489	73	594	
School Construction - State.....	17,146	17,146	17,129	(17)	20,199	
Charter School Reimbursement.....	8,251	8,251	8,249	(2)	7,510	
						(continued)

(continued)

Exhibit A-3 (continued)

GENERAL FUND

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

Classification	2002			Variance Favorable (Unfavorable)	2001 Actual
	Original Budget	Final Budget	Actual		
Charter Schools Tuition.....	-	-	(26,544)	(26,544)	(21,892)
Chapter 70 Education Aid.....	178,411	178,411	205,644	27,233	197,517
School Transportation Programs.....	20,544	20,544	10,357	(10,187)	6
Tuition For State Wards.....	1,618	1,618	1,619	1	1,221
Revenue class total	550,452	550,452	541,456	(8,996)	525,169
DEPARTMENTAL & OTHER REVENUE					
Penalties & Interest - Property Taxes.....	1,625	1,625	1,672	47	1,389
Penalties & Interest - Motor Vehicle.....	2,850	2,850	2,852	2	2,741
Penalties & Interest - Tax Title.....	4,000	4,000	3,545	(455)	3,889
Penalties & Interest - Street Assessments.....	-	-	1	1	6
Unapportioned Assessments.....	5	5	6	1	-
Streets Paid in Advance.....	-	-	-	-	3
Unapportioned Street Assessments.....	5	5	-	(5)	(8)
Purchasing Services.....	12	12	8	(4)	19
Registry Division Fees.....	850	850	1,005	155	1,012
City Record Publications.....	12	12	7	(5)	9
Assessing Fees.....	30	30	26	(4)	22
Liens.....	700	700	881	181	745
City Clerk Fees.....	480	480	777	297	560
Sale of Equipment.....	35	35	24	(11)	20
Election Fees.....	338	338	390	52	12
Muni Medicaid Reimbursement.....	12,000	12,000	16,571	4,571	18,929
City Council Fees.....	1	1	2	1	1
Passport Execution Fees.....	25	25	37	12	7
Environment Fees.....	70	70	51	(19)	51
Police Services.....	475	475	476	1	462
Police Fitness & Wellness Fees.....	1	1	21	20	12
Fire Services.....	2,825	2,825	3,254	429	2,974
Fire Department-Misc.....	5	5	16	11	20
Parking Facilities.....	1,250	1,250	1,988	738	2,222
Street, Sidewalk and Curb Repairs.....	2,500	2,500	2,561	61	2,068

(continued)

Exhibit A-3 (continued)

GENERAL FUND

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

Classification	2002				2001 Actual
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	
Demolition of Abandoned Structures.....	50	50	61	11	205
Property Mgmt - Building Rents.....	-	-	3	3	-
C/H Coffee Shop 8th Floor.....	5	5	6	1	7
C/H Walker Associates.....	3	3	3	-	3
New Chardon St. C. O. M.....	85	85	98	13	104
Job Tylers.....	29	29	29	-	29
Greetings from Boston.....	10	10	10	-	10
International News.....	22	22	22	-	22
U.S.P.S.....	17	17	17	-	17
Brearley Collection.....	17	17	19	2	19
Boston Creamery.....	20	20	19	(1)	27
Heritage Shop.....	25	25	35	10	33
Red Barn Coffee House.....	25	25	32	7	32
Stamp of Approval.....	9	9	9	-	9
Out of Left Field.....	25	25	33	8	33
Local Color Inc.....	25	25	38	13	32
DND Other Revenue.....	150	150	108	(42)	-
Special Events - Faneuil Hall.....	20	20	14	(6)	48
Special Events - City Hall.....	20	20	43	23	35
Other Revenues - Public Facilities.....	-	-	-	-	88
Utility Reimbursement.....	10	10	30	20	40
Miscellaneous Property Management.....	5	5	-	(5)	-
St.Furniture Program Fixed Fees.....	-	-	500	500	-
St.Furniture Program Adm Fees.....	-	-	4	4	-
Concessions-Parks & Rents.....	2	2	-	(2)	-
Misc - Parks.....	-	-	3	3	-
Veterans Services.....	-	-	650	650	658
Fiber Optics Access Fees.....	1,600	1,600	290	(1,310)	2,793
Public Works - Other Charges.....	3	3	562	559	761
Transportation Dept. - Recycled Autos.....	5	5	-	(5)	-
Tuition and Transportation - Schools.....	550	550	689	139	424
Miscellaneous Receipts - Schools.....	5	5	18	13	7
Library Fees.....	175	175	101	(74)	71
Library of Last Recourse.....	-	-	-	-	2,367

(continued)

Exhibit A-3 (continued)

GENERAL FUND

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

Classification	2002			Variance Favorable (Unfavorable)	2001 Actual
	Original Budget	Final Budget	Actual		
Registry of Deeds Fees.....	-	-	3	3	-
Cobra/selfpay.....	700	700	951	251	716
Telephone Commissions - Real Property.....	60	60	23	(37)	87
Insurance Proceeds.....	-	-	184	184	1,002
City Workers' Comp. Reimbursement.....	1,050	1,050	4,096	3,046	733
Miscellaneous Law.....	2	2	30	28	6
Affirmative Recovery Unit.....	800	800	1,359	559	382
Special Prosecutors Office.....	27	27	44	17	13
Fringe Reimbursements.....	10	10	128	118	2
Pensions and Annuities.....	2,015	2,015	2,197	182	2,701
Indirect Costs Reimbursement.....	3,250	3,250	1,257	(1,993)	423
Private Detail Payroll.....	-	-	153	153	(2,175)
Fire Department Special Detail.....	-	-	-	-	(250)
Property Management Detail Payroll.....	-	-	-	-	30
AR Tellers Adjustment Account.....	-	-	1	1	-
Suffolk County Detail.....	-	-	-	-	56
Prior Year Reimbursements.....	4,771	4,771	7,651	2,880	2,490
Other General Services.....	3	3	53	50	28
Miscellaneous Refunds.....	-	-	204	204	(123)
Miscellaneous Collections.....	15	15	223	208	(481)
Child Support Reimbursement.....	35	35	49	14	54
Mayor's Office.....	-	-	-	-	-
Miscellaneous - Treasury.....	50	50	1,442	1,392	59
Police Detail Admin. Fee.....	2,250	2,250	2,256	6	2,074
Property Mgmt - Detail Admin Fees.....	7	7	7	-	7
Fire - Administrative Fees.....	275	275	263	(12)	224
Parks and Recreation 10% Admin Fee.....	2	2	-	(2)	1
Suffolk County 10% Admin Fee.....	3	3	2	(1)	2
Revenue class total	48,331	48,331	62,193	13,862	53,100
<b>FINES</b>					
Parking Fines.....	56,300	56,300	21,514	(34,786)	19,591
Mail Collection of Parking fines.....	-	-	35,010	35,010	35,918
Superior Criminal Court.....	1	1	-	(1)	1

(continued)



Exhibit A-3 (continued)

GENERAL FUND

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

Classification	2002				2001 Actual
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	
Municipal Criminal Court.....	20	20	12	(8)	16
Bicycle Fines - Muni Criminal .....	-	-	4	4	-
Municipal Civil Court.....	1,500	2,239	3,449	1,210	3,452
East Boston District Court.....	25	25	32	7	233
Brighton District Court.....	23	23	12	(11)	9
Charlestown District Court.....	1	1	1	-	1
Dorchester District Court.....	15	15	13	(2)	15
Roxbury District Court.....	9	9	8	(1)	10
South Boston District Court.....	15	15	14	(1)	13
West Roxbury District Court.....	8	8	8	-	8
ISD - Fines.....	3	3	77	74	2
ISD - Board of Appeals.....	1	1	1	-	2
Code Enforcement.....	350	350	504	154	498
Revenue class total	58,271	59,010	60,659	1,649	59,769
<b>PAYMENTS IN LIEU OF TAXES</b>					
Boston College.....	212	212	212	-	205
New England Deaconess Hospital.....	84	84	42	(42)	42
New England Medical Center Hospital.....	625	625	752	127	667
Boston Symphony Orchestra.....	35	35	36	1	34
Old City Hall.....	635	635	740	105	663
Boston University.....	3,158	3,158	3,167	9	5,254
Mass Port Authority.....	4,249	7,055	7,306	251	11,423
Misc PILOTS.....	-	-	15	15	-
Sale of Property - Special Taxes.....	115	115	546	431	384
Berkeley School.....	176	176	175	(1)	162
Trimount Foundation.....	15	15	15	-	15
Harvard Community Health Plan.....	217	217	217	-	39
Mass General Hospital.....	1,741	1,741	1,655	(86)	1,808
Harvard University.....	1,347	1,347	1,479	132	1,431
Suffolk University.....	174	174	235	61	102
Simmons College.....	15	15	15	-	15
Northeastern University.....	140	140	136	(4)	138

(continued)

Exhibit A-3 (continued)

GENERAL FUND

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

Classification	2002				2001 Actual
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	
North End Comm Health Center.....	56	56	-	(56)	56
New England School of Law.....	13	13	13	-	13
Brigham and Women's Hospital.....	788	788	788	-	706
E.D.I.C.....	396	396	329	(67)	314
Tufts University.....	18	18	17	(1)	17
Section 2C Exempt To Table.....	100	100	364	264	467
Boston Medical Center.....	67	67	102	35	132
Museum of Fine Arts.....	45	45	43	(2)	40
Children's Hospital.....	250	250	123	(127)	94
Showa.....	87	87	87	-	87
Wentworth Institute.....	2	2	2	-	2
Emerson.....	23	23	23	-	22
Spaulding Rehabilitation Hospital.....	55	55	52	(3)	59
MASCO.....	73	73	37	(36)	71
Beth Israel Hospital.....	125	125	125	-	125
Massachusetts Mental Health Program.....	29	29	-	(29)	41
E.O.C.D.....	12	12	12	-	81
Bay Cove Human Services.....	12	12	10	(2)	10
Domicilia.....	4	4	4	-	3
Noble School.....	12	12	12	-	14
Wang.....	25	25	-	(25)	-
Dana Farber.....	73	73	73	-	71
Mass College of Pharmacy.....	101	101	51	(50)	98
Boston Housing Authority.....	550	550	390	(160)	742
Metro Health Foundation.....	9	9	9	-	3
Marriott Custom House Tower.....	260	260	207	(53)	295
Prudential Insurance Co.....	-	-	50	50	341
Jamaica Tower and Townhouse.....	72	72	-	(72)	-
Buse Boston (Academy Homes).....	-	-	25	25	41
Back Bay Manor Apartments, Inc.....	-	-	-	-	55
St. Joseph Community Inc.....	3	3	-	(3)	7
Camfield Gardens LTD.....	14	14	-	(14)	10

(continued)

Exhibit A-3 (continued)

GENERAL FUND

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)  
Year Ended June 30, 2002  
(in thousands)  
(with comparative actual amounts for 2001)

Classification	2002			Variance Favorable (Unfavorable)	2001 Actual
	Original Budget	Final Budget	Actual		
Jewish Comm. Housing Elderly Inc.....	91	91	121	30	96
Roxse Homes, Inc.....	16	16	-	(16)	-
Charlesview, Inc.....	-	-	13	13	-
One Beacon Street.....	2,221	2,221	3,120	899	2,811
Tai Tung Village.....	-	-	116	116	-
Mass Pike Towers.....	-	-	95	95	-
Jewish Comm. Housing Elderly II.....	99	99	128	29	107
Newcastle Associates.....	31	31	29	(2)	28
Summer Street Realty Corp.....	209	209	1,646	1,437	1,614
Rockingham Glen Associates.....	22	22	24	2	19
Chauncy House Company.....	10	10	14	4	27
Tenants Development Corp.....	133	133	-	(133)	-
Viviendas Associates.....	107	107	-	(107)	102
Concord House Associates.....	-	-	7	7	-
Mercantile Wharf Associates.....	53	53	71	18	64
Quincy Tower Associates.....	87	87	77	(10)	80
Franklin Park Associates.....	77	77	60	(17)	75
Gardner Apartments Associates.....	1	1	1	-	1
Jamaica Plain Associates.....	3	3	5	2	1
Allied Stores Gen. Re. Corp.....	459	459	1,068	609	1,181
Conway Court Associates.....	5	5	3	(2)	4
Jewish Comm. Housing Elderly III.....	60	60	96	36	52
Mission Park Corp.....	5	5	-	(5)	7
Woodbury Cunard Associates.....	1	1	-	(1)	-
Medical Area Total Energy.....	2,500	2,500	2,766	266	2,773
Madison Park III Associates.....	130	130	120	(10)	119
Victory Gardens Associates.....	-	-	5	5	3
Reservoir Towers Associates.....	263	263	438	175	212
Bowdoin School Associates.....	8	8	42	34	1
Borinquen Associates.....	10	10	20	10	7
Ausonia Homes Associates.....	4	4	212	208	180
Haynes House Associates.....	3	3	3	-	-
Madison Park IV Associates.....	133	133	143	10	118
Cottage Brook Associates.....	59	59	53	(6)	59

(continued)

Exhibit A-3 (continued)

GENERAL FUND

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

Classification	2002				2001 Actual
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	
Intervale - Magnolia Associates.....	48	48	32	(16)	35
Woodledge Associates.....	71	71	45	(26)	53
Woodbourne Community Housing Corp.....	2	2	2	-	1
School House '77 Associates.....	40	40	36	(4)	34
Peterborough House Associates.....	205	205	412	207	86
Dorchester Green LP.....	10	10	(7)	(17)	7
Mason Place Company.....	12	12	87	75	-
Keystone Apartments Co.....	216	216	220	4	204
Stearns Company.....	3	3	45	42	-
Blake Estates Associates.....	185	185	183	(2)	179
Immobiliare New England.....	-	-	-	-	63
Servicenter, Inc.....	14	14	-	(14)	6
Taurus At Fountain Hill.....	73	73	70	(3)	68
Marcus Garvey Associates.....	80	80	-	(80)	-
St. Botolph Terrace.....	18	18	11	(7)	13
Fieldstone Associates.....	5	5	-	(5)	8
Hemenway Apt. Co.....	80	80	76	(4)	68
Blake Estates Associates II.....	80	80	89	9	79
Back Hill Comm. Devel. Associates.....	66	66	68	2	60
Boston Rehab Associates.....	2	2	15	13	18
Patriot Holding LP.....	37	37	422	385	-
Casa Maria Housing Corp.....	-	-	4	4	5
Savin Hill Apartments Co.....	132	132	132	-	128
Wait Street Associates.....	103	103	183	80	-
Adams and Templeton Associates.....	60	60	2	(58)	55
B'nai B'rith Senior Citizens Housing.....	140	140	173	33	132
Brighton Allston Elderly Home.....	42	42	35	(7)	37
Bradford Towers Associates.....	160	160	174	14	185
Sarah Baker Manor Associates.....	33	33	24	(9)	21
Frankie O'Day Corp.....	2	2	1	(1)	1
On Luck Housing Devel. Inc.....	12	12	7	(5)	8
Governor Apt. Associates.....	92	92	114	22	93
Dorchester Housing Associates.....	83	83	95	12	97
Charles H Farnsworth Housing Corp.....	50	50	48	(2)	41

(continued)

Exhibit A-3 (continued)

GENERAL FUND

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

Classification	2002				2001 Actual
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	
ETC Development Corp.....	125	125	315	190	111
RHC and Associates.....	53	53	47	(6)	47
Mt. Pleasant Associates.....	120	120	98	(22)	143
Angela Westover Housing Corp.....	13	13	11	(2)	10
Oxford Place Associates.....	42	42	37	(5)	38
East Canton Street Associates.....	50	50	32	(18)	39
Rogerson Beacon Associates.....	73	73	96	23	74
Academy Homes Urban Edge LP.....	-	-	1	1	-
Greyhound Associates LP.....	-	-	500	500	-
Abbey Landmark Owner LP.....	-	-	718	718	-
Orchard Park Off Site Phase I.....	-	-	31	31	-
Mission Main.....	-	-	10	10	-
Commonwealth Flats Hotel LP.....	-	-	150	150	308
Misc Chapter 121A Section 6A.....	-	-	1	1	950
Dimock-Bragdon Associates.....	37	37	64	27	-
Council of Elders.....	76	76	1	(75)	17
City Square Elderly Housing.....	50	50	27	(23)	26
Boston Garden Corporation.....	310	310	189	(121)	301
Marriott Custom House Tower.....	-	-	-	-	-
Allston Landing LP.....	-	-	-	-	1
Commonwealth Flats Develop. East LP.....	164	164	867	703	-
Commonwealth Flats Development.....	-	-	145	145	-
Madison Trinity LP.....	-	-	7	7	4
Revenue class total	26,281	29,087	36,332	7,245	39,994
INVESTMENT INCOME					
Interest on Investments.....	15,550	15,550	14,801	(749)	26,084
Revenue class total	15,550	15,550	14,801	(749)	26,084
LICENSES AND PERMITS					
Building Structures and Permits.....	14,000	14,000	19,055	5,055	27,192
Weights and Measures.....	150	150	162	12	176

(continued)

Exhibit A-3 (continued)

GENERAL FUND

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

Classification	2002				2001 Actual
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	
Street and Curb Permits.....	1,400	1,400	1,604	204	1,352
Pre-rental Inspections.....	73	73	52	(21)	67
Misc Charges-Inspectional Services.....	12	12	19	7	13
Public Safety-Inspectional Services.....	40	40	79	39	44
Health Inspections.....	1,100	1,100	1,116	16	1,065
Alcoholic Beverages and Licenses.....	2,325	2,325	2,303	(22)	2,307
Entertainment Licenses.....	425	425	503	78	483
Police and Protective Permits.....	425	425	425	-	547
Professional & Occupational Licenses.....	70	70	78	8	70
Police Firearm Permits.....	25	25	29	4	27
Other Business Licenses and Permits.....	850	850	990	140	1,001
Cable Television.....	2,850	2,850	3,236	386	3,418
Burial Permits.....	70	70	-	(70)	62
Revenue class total	23,815	23,815	29,651	5,836	37,824
<b>TRANSFERS AND OTHER AVAILABLE FUNDS</b>					
Surplus Property Fund.....	1,876	1,876	-	(1,876)	-
Appropriated Cemetery Trustee.....	1,778	1,778	1,778	-	1,678
Appropriated Parking Meter Receipts.....	10,000	10,000	2,790	(7,210)	6,677
Revenue class total	13,654	13,654	4,568	(9,086)	8,355
Total Revenues and Other Financing Sources	\$ 1,768,011	\$ 1,773,456	\$ 1,788,300	\$ 14,844	\$ 1,729,781

Exhibit A-4

GENERAL FUND

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

	2002			Variance	2001
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)	Actual
<b>GENERAL GOVERNMENT</b>					
Costs of Issuance - RANS.....	\$ 500	251	231	\$ 20	\$ 202
Annual Audit Costs.....	600	600	501	99	600
Mayor's Office.....	1,874	1,784	1,754	30	1,875
City Council.....	3,931	3,585	3,534	51	3,333
Office of New Bostonians.....	78	103	102	1	40
Consumer Affairs and Licensing.....	480	480	434	46	398
Office of Community Partnerships.....	1,628	1,584	1,577	7	1,583
Boston 2 to 6.....	567	507	485	22	557
Election Department - Election Division.....	2,846	2,645	2,607	38	2,650
Election Department - Listing Board.....	517	198	177	21	227
Auditing Department.....	6,317	7,952	7,947	5	3,622
Taxpayer Referral Department & Asst. Cntr.....	439	439	418	21	412
Assessing Department.....	5,305	5,305	5,260	45	5,656
Treasury Department - Collecting Division.....	2,171	2,185	2,072	113	1,881
Treasury Department - Treasury Division.....	1,831	1,817	1,752	65	1,585
Office of Budget Management.....	2,319	2,639	2,639	-	2,632
Human Resources.....	2,390	2,282	2,217	65	2,236
Purchasing Division.....	1,299	1,267	1,250	17	1,182
Office of Chief Operating Officer.....	988	889	884	5	782
Graphic Arts.....	1,683	1,626	1,583	43	1,440
Office Labor Relations.....	908	897	884	13	888
Management Information System.....	11,046	10,244	10,175	69	10,779
Intergovernmental Relations.....	994	924	894	30	878
Minority/Women's Business.....	662	662	648	14	580
Office of Boston Residents Job Policy.....	469	469	459	10	437
Risk Retention Reserve.....	1,000	1,000	1,000	-	1,000
Law Department.....	5,131	5,099	5,057	42	4,860
City Clerk.....	893	893	864	29	840

(continued)

## Exhibit A-4 (continued)

## GENERAL FUND

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

	2002				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2001 Actual
Registry Division.....	896	845	828	17	814
Management Fund.....	-	-	-	-	225
Finance Commission.....	192	192	184	8	183
Office of Civil Rights.....	434	335	293	42	351
Emergency Shelter Commission.....	600	600	584	16	624
Public Information.....	887	887	822	65	799
Neighborhood Services.....	1,115	1,043	1,031	12	1,005
Special Events and Tourism.....	1,270	1,220	1,191	29	1,573
Women's Commission.....	166	166	152	14	160
Office of Cultural Affairs.....	1,101	1,024	1,012	12	1,025
Tregor Reserve Fund.....	-	1,000	1,000	-	1,282
Reserve For Collective Bargaining.....	1,005	415	6,200	(5,785)	12,500
Function total	66,532	66,053	70,702	(4,649)	73,696
<b>HUMAN SERVICES</b>					
Rental Housing Resource Center.....	744	653	646	7	666
Elderly Commission.....	2,824	2,769	2,758	11	2,596
Veterans Services Department.....	2,371	2,994	2,994	-	2,336
Function total	5,939	6,416	6,398	18	5,598
<b>PUBLIC SAFETY</b>					
Police Department.....	219,254	219,549	219,549	-	214,286
Fire Department.....	132,098	132,098	134,625	(2,527)	116,859
Transportation - Traffic Division.....	19,390	19,239	19,239	-	19,060
Transportation - Parking Clerk.....	9,778	9,477	9,451	26	9,122
Licensing Board.....	591	591	582	9	606
Inspectional Services Department.....	13,307	13,064	12,960	104	12,724
Youth Fund.....	6,409	8,744	8,744	-	8,618
Function total	400,827	402,762	405,150	(2,388)	381,275

(continued)



## Exhibit A-4 (continued)

## GENERAL FUND

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

	2002				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2001 Actual
<b>PUBLIC WORKS</b>					
Public Works Department.....	65,660	68,715	68,701	14	65,531
Central Maintenance Facility.....	2,076	1,807	1,719	88	1,931
Snow Removal.....	4,462	4,462	4,413	49	10,582
Function total	72,198	74,984	74,833	151	78,044
<b>PROPERTY AND DEVELOPMENT</b>					
Property Management.....	17,963	17,963	18,957	(994)	17,796
Neighborhood Development.....	4,873	7,079	7,079	-	7,047
Boston Redevelopment Authority.....	-	-	-	-	725
Support Division.....	-	-	-	-	13,000
Boston Community Centers.....	16,366	15,594	15,594	-	14,955
Function total	39,202	40,636	41,630	(994)	53,523
<b>PARKS AND RECREATION</b>					
Parks and Recreation Department.....	13,093	13,415	13,415	-	12,721
Environment Department.....	981	981	981	-	938
Cemetery Division.....	1,778	1,778	1,675	103	1,603
Function total	15,852	16,174	16,071	103	15,262
<b>LIBRARY</b>					
Library Department.....	28,702	28,813	28,813	-	29,981
Function total	28,702	28,813	28,813	-	29,981

(continued)

## Exhibit A-4 (continued)

## GENERAL FUND

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

2002					
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2001 Actual
<b>SCHOOLS</b>					
Boston Public Schools.....	637,446	639,729	639,710	19	611,925
Function total	637,446	639,729	639,710	19	611,925
<b>PUBLIC HEALTH</b>					
Public Health Commission.....	62,913	64,005	64,005	-	62,141
Function total	62,913	64,005	64,005	-	62,141
<b>COUNTY</b>					
Suffolk County Jail.....	4,537	4,537	4,537	-	6,030
Function total	4,537	4,537	4,537	-	6,030
<b>JUDGMENTS AND CLAIMS</b>					
Execution of Courts.....	4,100	4,100	5,000	(900)	2,008
Function total	4,100	4,100	5,000	(900)	2,008
<b>OTHER EMPLOYEE BENEFITS</b>					
Medicare Payments.....	3,500	3,500	3,952	(452)	3,238
Human Resources-Health Insurance.....	520	520	497	23	-
Health Benefits & Insurance.....	100,732	99,261	99,261	-	87,712
Unemployment Compensation.....	50	5	5	-	12
Workers' Compensation Fund.....	3,400	3,400	3,758	(358)	4,170
Function total	108,202	106,686	107,473	(787)	95,132
<b>PENSION COSTS</b>					
State - Boston Retirement System.....	129,745	129,745	129,745	-	127,475
Pensions and Annuities - City.....	5,665	5,665	5,665	-	5,800
Pensions and Annuities - County.....	300	300	300	-	500
Function total	135,710	135,710	135,710	-	133,775
(continued)					

(continued)

## Exhibit A-4 (continued)

## GENERAL FUND

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Year Ended June 30, 2002

(in thousands)

(with comparative actual amounts for 2001)

	2002			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
				2001 Actual
<b>DEBT REQUIREMENTS</b>				
Redemption of City Loans.....	77,241	77,241	77,233	8
City Debt and Interest Payments.....	36,515	36,515	36,515	-
Interest on Temporary Notes.....	3,000	-	-	-
MWPAT Principal.....	439	439	439	-
MWPAT Interest.....	145	145	145	-
BAN Interest.....	1,000	1,000	1,000	-
Function total	118,340	115,340	115,332	8
<b>STATE &amp; DISTRICT ASSESSMENTS</b>				
Health Insurance/Retirement.....	580	580	580	-
Parking Surcharge.....	2,882	2,882	3,003	(121)
Mosquito Control Projects.....	187	187	187	-
Special Education Chapter 766.....	520	520	486	34
Metropolitan Air Pollution Center.....	143	143	143	-
Metropolitan Area Planning.....	142	142	142	-
M.B.T.A. Assessments.....	63,046	63,046	63,046	-
School Choice.....	-	-	171	(171)
M.D.C. Assessments.....	11	11	11	-
Function total	67,511	67,511	67,769	(258)
Total Expenditures	\$ 1,768,011	\$ 1,773,456	\$ 1,783,133	\$ (9,677)
				\$ 1,721,156

## **SPECIAL REVENUE FUND**

The Special Revenue fund is used to account for the proceeds of specific revenue sources, other than debt service, trust funds or capital projects that are legally restricted for specific purposes. This fund accounts for a number of federal and state grants administered by the City's individual departments. This fund provides additional support to department programs and also accounts for money that has been set aside, generally by state statute, that may be used to support the City's general fund operations. This fund is directly linked to a specific activity and is available without further City Council Appropriation.

Exhibit B-1

**SPECIAL REVENUE FUND**

Comparative Balance Sheet

June 30, 2002

(in thousands)

	Totals	
	2002	2001
<b>ASSETS</b>		
Cash and investments.....	\$ 106,093	\$ 103,877
Receivables (net):		
Intergovernmental.....	56,301	27,147
Departmental and other.....	195	13,146
Total receivables.....	<u>56,496</u>	<u>40,293</u>
Due from other funds.....	-	4,291
Total assets.....	<u>\$ 162,589</u>	<u>\$ 148,461</u>
<b>LIABILITIES</b>		
Warrants and accounts payable.....	\$ 14,597	\$ 10,199
Accrued liabilities:		
Other .....	27,281	21,296
Due to other funds.....	-	3,724
Total liabilities.....	<u>41,878</u>	<u>\$ 35,219</u>
<b>FUND BALANCE</b>		
Reserved for:		
Encumbrances and other.....	44,111	60,231
Unreserved:		
Undesignated.....	76,600	53,011
Total fund balance .....	<u>120,711</u>	<u>113,242</u>
Total liabilities and fund balance.....	<u>\$ 162,589</u>	<u>\$ 148,461</u>

**Exhibit B-2**

**SPECIAL REVENUE FUND**

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2002

(in thousands)

	<b>Totals</b>	
	<b>2002</b>	<b>2001</b>
<b>REVENUES:</b>		
Fines.....	\$ 44	\$ -
Investment income.....	159	-
Licenses and permits.....	252	-
Departmental and other revenue.....	10,478	80,467
Intergovernmental revenues.....	334,961	280,282
Total revenues.....	<u>345,894</u>	<u>360,749</u>
<b>EXPENDITURES:</b>		
Current operations:		
General government.....	7,131	9,312
Human services.....	5,290	4,956
Public safety.....	21,888	20,556
Public works.....	407	589
Property & development.....	63,081	69,026
Parks and recreation.....	396	665
Library.....	5,261	1,238
Schools.....	130,162	115,580
County.....	104,754	87,462
Capital outlays.....	-	3,999
Debt service.....	3,894	4,321
Total expenditures.....	<u>342,264</u>	<u>317,704</u>
Excess of revenues over expenditures.....	<u>3,630</u>	<u>43,045</u>
<b>OTHER FINANCING SOURCES:</b>		
Proceeds of long-term notes.....	3,839	-
Total other financing sources.....	<u>3,839</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures.....	7,469	43,045
Fund balance, beginning of year.....	113,242	70,197
Fund balance, end of year.....	<u>\$ 120,711</u>	<u>\$ 113,242</u>



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## **CAPITAL PROJECTS FUND**

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bonds and from federal and state grants. The use of a capital projects fund is especially common for major capital acquisition or construction activities financed through borrowings or contributions. Unless there is a legal requirement to use a capital projects fund, the use of the capital projects fund type is permitted rather than required.



Exhibit C-1

**CAPITAL PROJECTS FUND**

Comparative Balance Sheet

June 30, 2002

(in thousands)

	<b>Totals</b>	
	<b>2002</b>	<b>2001</b>
<b>ASSETS</b>		
Cash and investments.....	\$ 80,537	\$ 90,976
Cash and investments held by trustees.....	3,745	-
Due from other funds.....		388
Total assets.....	<u>\$ 84,282</u>	<u>\$ 91,364</u>
<b>LIABILITIES</b>		
Warrants and accounts payable.....	\$ 9,593	\$ 5,732
Other liabilities.....	35	1,788
Due to other funds.....	-	58,026
Due to component units.....	-	732
Total liabilities.....	<u>9,628</u>	<u>66,278</u>
<b>FUND BALANCE</b>		
Reserved for:		
Encumbrances and other.....	112,020	176,212
Future appropriations.....	55,874	-
Unreserved:		
Undesignated (deficit).....	(93,240)	(151,126)
Total fund balance.....	<u>74,654</u>	<u>25,086</u>
Total liabilities and fund balance.....	<u>\$ 84,282</u>	<u>\$ 91,364</u>

Exhibit C-2

**CAPITAL PROJECTS FUND**

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2002

(in thousands)

	Totals	
	2002	2001
<b>REVENUES:</b>		
Departmental and other.....	\$ 8,649	\$ 23,444
Intergovernmental.....	13,609	51,609
Total revenues.....	<u>22,258</u>	<u>75,076</u>
<b>EXPENDITURES:</b>		
Capital outlays.....	139,593	185,475
Total expenditures.....	<u>139,593</u>	<u>185,475</u>
Deficiency of revenues over expenditures.....	<u>(117,335)</u>	<u>(110,399)</u>
<b>OTHER FINANCING SOURCES:</b>		
Proceeds of long-term debt and capital leases.....	170,915	209,719
Payment to escrow agent.....	-	(52,025)
Total other financing sources.....	<u>170,915</u>	<u>157,694</u>
<b>SPECIAL ITEM:</b>		
Proceeds from sale of capital assets.....	<u>13,300</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses.....	66,880	47,295
Fund balance (deficit), beginning of year, as previously reported.....	25,086	(22,209)
Cumulative change in accounting principle.....	<u>(17,312)</u>	<u>-</u>
Fund balance (deficit), beginning of year, as restated.....	<u>7,774</u>	<u>(22,209)</u>
Fund balance, end of year.....	<u>\$ 74,654</u>	<u>\$ 25,086</u>



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## OTHER GOVERNMENTAL FUNDS

Other Governmental Funds are those funds that are not defined as major funds.

***Permanent Fund***, established by GASB Statement No. 34, the fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

The permanent fund is composed of the following pools:

***Pool#1*** is used for the maintenance and improvement of the City's parks and cemeteries and the erection and maintenance of statues and monuments for the use and enjoyment of City residents.

***Pool#2*** is used for scholarship awards, the purchase of educational equipment and the aid of needy students.

Exhibit D-1

OTHER GOVERNMENTAL FUNDS

Combining Balance Sheet

June 30, 2002

(in thousands)

	Permanent Funds		Total Other
	Pool 1	Pool 2	Governmental Funds
<b>ASSETS</b>			
Cash and investments held by trustees.....	\$ 43,159	\$ 630	\$ 43,789
Total assets.....	<u>\$ 43,159</u>	<u>\$ 630</u>	<u>\$ 43,789</u>
<b>LIABILITIES</b>			
Warrants and accounts payable.....	\$ 16	\$ -	\$ 16
Total liabilities.....	<u>16</u>	<u>-</u>	<u>16</u>
<b>FUND BALANCE</b>			
Undesignated, reported in permanent funds.....	43,143	630	43,773
Total fund balance.....	<u>43,143</u>	<u>630</u>	<u>43,773</u>
Total liabilities and fund balance.....	<u>\$ 43,159</u>	<u>\$ 630</u>	<u>\$ 43,789</u>

**Exhibit D-2**

**OTHER GOVERNMENTAL FUNDS**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Year Ended June 30, 2002  
(in thousands)

	<b>Permanent Funds</b>		<b>Total Other</b>
	<b>Pool 1</b>	<b>Pool 2</b>	<b>Governmental Funds</b>
<b>REVENUES:</b>			
Investment income.....	\$ 106	\$ 7	\$ 113
Departmental and other.....	1,577	39	1,616
Total revenues.....	<u>1,683</u>	<u>46</u>	<u>1,729</u>
<b>EXPENDITURES:</b>			
General government.....	6,217	67	6,284
Total expenditures.....	<u>6,217</u>	<u>67</u>	<u>6,284</u>
Deficiency of revenue over expenditures.....	<u>(4,534)</u>	<u>(21)</u>	<u>(4,555)</u>
<b>OTHER FINANCING (USES) SOURCES:</b>			
Operating transfers out.....	(1,778)	-	(1,778)
Total other financing (uses) sources.....	<u>(1,778)</u>	<u>-</u>	<u>(1,778)</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses.....	(6,312)	(21)	(6,333)
Fund balance, beginning of year.....	49,455	651	50,106
Fund balance, end of year.....	<u>\$ 43,143</u>	<u>\$ 630</u>	<u>\$ 43,773</u>



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## INTERNAL SERVICE FUND

*Internal Service Fund* accounts for the City's self insurance for health benefits provided by Blue Cross/Blue Shield for City employees, their dependents and retirees. The Internal Service Fund is included in the governmental activities columns in the government-wide statements.



Exhibit E-1

**INTERNAL SERVICE FUND**  
Comparative Statement of Net Assets  
June 30, 2002 and 2001  
(in thousands)

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 12,052	\$ 7,714
Departmental and other receivables.....	151	49
Due from other funds.....	727	791
Other assets.....	1,606	1,776
Total assets.....	<u>\$ 14,536</u>	<u>\$ 10,330</u>
<b>LIABILITIES</b>		
Warrants and accounts payable.....	\$ 25	\$ 22
Accrued liabilities.....	7,051	10,000
Total liabilities.....	<u>7,076</u>	<u>10,022</u>
<b>NET ASSETS</b>		
Unrestricted.....	7,460	308
Total net assets.....	<u>\$ 7,460</u>	<u>\$ 308</u>

Exhibit E-2

INTERNAL SERVICE FUND

Comparative Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2002 and 2001  
(in thousands)

	2002	2001
<b>REVENUES:</b>		
Employer contributions.....	\$ 53,042	\$ 47,660
Employee contributions.....	18,367	16,744
Miscellaneous.....	510	1,807
Total operating revenues.....	<u>71,919</u>	<u>66,211</u>
<b>EXPENSES:</b>		
Health benefits and administration.....	<u>64,767</u>	<u>60,800</u>
Total operating expenses.....	<u>64,767</u>	<u>60,800</u>
Changes in net assets.....	7,152	5,411
Net assets (deficit), beginning of year.....	<u>308</u>	<u>(5,103)</u>
Net assets end of year.....	<u>\$ 7,460</u>	<u>\$ 308</u>

Exhibit E-3

**INTERNAL SERVICE FUND**  
Comparative Statement of Cash Flows  
Year Ended June 30, 2002 and 2001  
(in thousands)

	<u>2002</u>	<u>2001</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers.....	\$ 71,307	\$ 63,843
Other cash received.....	510	1,807
Cash paid to vendors.....	<u>(67,479)</u>	<u>(61,980)</u>
Net cash provided by operating activities.....	4,338	3,670
 Cash and cash equivalents, beginning of year.....	 7,714	 4,044
Cash and cash equivalents, end of year.....	<u>\$ 12,052</u>	<u>\$ 7,714</u>
 <b>Cash Flows From Operating Activities:</b>		
Operating income.....	\$ 7,152	\$ 5,411
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable.....	(38)	52
Other assets.....	170	(583)
Due to/from other funds.....	-	(30)
Accounts payable.....	3	22
Other accrued liabilities.....	<u>(2,949)</u>	<u>(1,202)</u>
Net cash provided by operating activities.....	<u>\$ 4,338</u>	<u>\$ 3,670</u>

## **FIDUCIARY FUNDS**

### **EMPLOYEE RETIREMENT PLANS**

**State-Boston Retirement System** is a defined benefit contributory retirement plan covering employees of the City of Boston and Suffolk County, Boston Public Health Commission, Boston Housing Authority, Boston Redevelopment Authority and the Boston Water and Sewer Commission. The system is subject to benefit provisions and financing requirements set forth primarily in Chapter 32 of the Massachusetts General Laws.

**Boston Retirement System** is the independent contributory plan system available exclusively to City of Boston employees who were employed prior to October 1, 1946.

### **PRIVATE PURPOSE TRUST FUNDS**

Established by GASB Statement No. 34, these funds are to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

**Pool#1** is used for the maintenance and improvement of the City's parks and cemeteries and the erection and maintenance of statues and monuments for the use and enjoyment of City residents.

**Pool#2** is used for scholarship awards, the purchase of educational equipment and the aid of needy students.

**Pool#5** is formed by the will of George R. White dated May 21, 1920. The will requires that the Fund's income be used for the creation of public utility and beauty for the use and enjoyment of the inhabitants of the City.

**Pool#7** is a co-mingled investment fund of various non-testamentary trust funds of the City of Boston. The non-expendable portion of the fund is composed of donations/contributions from either individuals or organizations. Donations/contributions are to be expended in conformity with their respective trust instruments.

### **AGENCY FUND**

**Law Enforcement Trust Fund** accounts for proceeds from property seized from illegal drug related activities. Funds can be used to defray the costs of protracted investigations, to provide technical equipment or expertise and provide matching funds for federal grants.

**Exhibit F-1**

**FIDUCIARY FUNDS**

Combining Statement of Fiduciary Net Assets - Fiduciary Funds

June 30, 2002

(in thousands)

	<u>Employee Retirement Plans</u>		
	<u>State-Boston Retirement System</u>	<u>Boston Retirement System</u>	<u>Total Employee Retirement Plans</u>
<b>ASSETS</b>			
Cash and investments.....	\$ 3,122,047	\$ 18	\$ 3,122,065
Receivables:			
Interest and dividends.....	6,800	-	6,800
Intergovernmental.....	-	-	-
Other.....	64,886	-	64,886
Total receivables.....	<u>71,686</u>	<u>-</u>	<u>71,686</u>
Due from primary government.....	64,823	48	64,871
Capital assets, net of accumulated depreciation.....	-	-	-
Total assets.....	<u>3,258,556</u>	<u>66</u>	<u>3,258,622</u>
<b>LIABILITIES</b>			
Accounts payable.....	\$ 10,120	\$ 1	\$ 10,121
Refunds payable and other.....	267,554	-	267,554
Notes payable.....	-	-	-
Total liabilities.....	<u>277,674</u>	<u>1</u>	<u>277,675</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes.....	\$ <u>2,980,882</u>	\$ <u>65</u>	\$ <u>2,980,947</u>

Private Purpose Trust Funds

Pool 1	Pool 2	Pool 5	Pool 7
\$ 19,095	\$ 427	\$ 24,343	\$ 27,529
-	-	-	-
-	-	-	-
104	17	106	2,018
104	17	106	2,018
-	-	-	-
-	-	30	-
19,199	444	24,479	29,547
\$ 280	\$ 3	\$ 127	\$ 304
-	-	-	-
-	-	-	-
280	3	127	304
\$ 18,919	\$ 441	\$ 24,352	\$ 29,243

**Exhibit F-1 (continued)**

**FIDUCIARY FUNDS**

Combining Statement of Fiduciary Net Assets - Fiduciary Funds

June 30, 2002

(in thousands)

	<u>Total</u>	<u>Agency Fund</u>	
	<u>Private Purpose</u>	<u>Law</u>	
	<u>Trust Funds</u>	<u>Enforcement</u>	<u>Total</u>
		<u>Trust Fund</u>	<u>Fiduciary Funds</u>
<b>ASSETS</b>			
Cash and investments.....	\$ 71,394	\$ 4,160	\$ 3,197,619
Receivables:			
Interest and dividends.....	-	-	6,800
Intergovernmental.....	-	-	0
Other.....	2,245	-	67,131
Total receivables.....	2,245	-	73,931
Due from primary government.....	-	-	64,871
Capital assets, net of accumulated depreciation.....	30	-	30
Total assets.....	73,669	4,160	3,336,451
<b>LIABILITIES</b>			
Accounts payable.....	\$ 714	\$ -	\$ 10,835
Refunds payable and other.....	-	4,160	271,714
Notes payable.....	-	-	-
Total liabilities.....	714	4,160	282,549
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes.....	\$ 72,955	\$ -	\$ 3,053,902

**City of Boston, Massachusetts**

**Exhibit F-2**

**EMPLOYEE RETIREMENT PLANS**

Combining Statement of Plan Net Assets

June 30, 2002

(in thousands)

(with comparative totals for 2001)

	<b>State-Boston Retirement System</b>	<b>Boston Retirement System</b>	<b>Totals</b>	
			<b>2002</b>	<b>2001</b>
<b>ASSETS</b>				
Cash.....	\$ 426	\$ 18	\$ 444	\$ 376
Receivables:				
Interest and dividends.....	6,800	-	6,800	7,757
Intergovernmental.....	78,824	48	78,872	81,458
Other.....	50,885	-	50,885	16,057
Due from other funds.....	-	-	-	-
Total receivables.....	<u>136,509</u>	<u>48</u>	<u>136,557</u>	<u>105,272</u>
Investments:				
Money market.....	1,104,405	-	1,104,405	1,225,282
MMDT.....	20,872	-	20,872	25,578
Short-term investments.....	110,797	-	110,797	88,697
Domestic equity services.....	800,553	-	800,553	913,041
Domestic debt services.....	294,337	-	294,337	268,852
International equity.....	342,950	-	342,950	502,997
International debt.....	144,352	-	144,352	60,048
Real estate.....	250,187	-	250,187	242,985
Venture capital funds.....	53,168	-	53,168	52,595
Total Investments.....	<u>3,121,621</u>	<u>-</u>	<u>3,121,621</u>	<u>3,380,075</u>
Total assets.....	<u>\$ 3,258,556</u>	<u>\$ 66</u>	<u>\$ 3,258,622</u>	<u>\$ 3,485,723</u>
<b>LIABILITIES</b>				
Accounts payable.....	10,120	1	10,121	54,497
Other.....	267,554	-	267,554	252,563
Total liabilities.....	<u>277,674</u>	<u>1</u>	<u>277,675</u>	<u>307,060</u>
<b>NET ASSETS</b>				
Held in trust for pension benefits and other purposes.....	<u>\$ 2,980,882</u>	<u>\$ 65</u>	<u>\$ 2,980,947</u>	<u>\$ 3,178,663</u>



**City of Boston, Massachusetts**

**Exhibit F-3**

**EMPLOYEE RETIREMENT PLANS**  
Combining Statement of Changes in Plan Net Assets  
Year Ended June 30, 2002  
(in thousands)  
(with comparative totals for 2001)

	<b>State-Boston Retirement System</b>	<b>Boston Retirement System</b>	<b>Totals</b>	
			<b>2002</b>	<b>2001</b>
<b>ADDITIONS:</b>				
Contributions:				
Employer.....	\$ 150,042	\$ 19	\$ 150,061	\$ 84,776
Employee.....	89,844	-	89,844	144,971
Interest.....	70,850	2	70,852	70,972
Intergovernmental.....	24,127	-	24,127	25,643
Realized and unrealized losses on investments.....	(252,989)	-	(252,989)	(131,140)
Total additions.....	<u>81,874</u>	<u>21</u>	<u>81,895</u>	<u>195,222</u>
<b>DEDUCTIONS:</b>				
Administration.....	2,130	5	2,135	1,863
Benefits.....	240,589	87	240,676	228,960
Reimbursements to other systems.....	7,299	-	7,299	-
Management and related fees.....	8,120	-	8,120	-
Refunds of contributions.....	12,936	-	12,936	20,552
Borrower rebates.....	8,445	-	8,445	-
Total deductions.....	<u>279,519</u>	<u>92</u>	<u>279,611</u>	<u>251,375</u>
Changes in net assets.....	(197,645)	(71)	(197,716)	(56,153)
Net assets, beginning of year.....	<u>3,178,527</u>	<u>136</u>	<u>3,178,663</u>	<u>3,234,816</u>
Net assets, end of year.....	<u>\$ 2,980,882</u>	<u>\$ 65</u>	<u>\$ 2,980,947</u>	<u>\$ 3,178,663</u>



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Exhibit F-4

PRIVATE PURPOSE TRUST FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Net Assets

Year Ended June 30, 2002

(in thousands)

(with comparative totals for 2001)

	Pool 1	Pool 2	Pool 5
<b>REVENUES:</b>			
Investment income.....	\$ 1,604	\$ 29	\$ 1,956
Realized and unrealized losses on investments.....	(1,278)	1	(577)
Departmental and other revenue.....	269	49	129
Total operating revenues.....	595	79	1,508
<b>EXPENDITURES:</b>			
Administrative and general .....	2,765	45	2,260
Total operating expenses.....	2,765	45	2,260
<b>OTHER FINANCING (USES) SOURCES:</b>			
Operating transfers in.....	-	-	-
Operating transfers out.....	-	-	-
Total other financing (uses) sources.....	-	-	-
Change in net assets.....	(2,170)	34	(752)
Net assets, beginning of year.....	21,089	407	25,104
Net assets, end of year.....	\$ 18,919	\$ 441	\$ 24,352

<u>Pool 7</u>	<u>Total Private Purpose Trust Funds</u>
\$ 650	\$ 4,239
(10)	(1,864)
<u>13,278</u>	<u>13,725</u>
<u>13,918</u>	<u>16,100</u>
<u>10,171</u>	<u>15,241</u>
<u>10,171</u>	<u>15,241</u>
-	-
-	-
-	-
3,747	859
<u>25,496</u>	<u>72,096</u>
\$ <u>29,243</u>	\$ <u>72,955</u>



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